FOREIGN AFFAIRS

MARCH/APRIL 1994

Competitiveness
A Dangerous Obsession
PAUL KRUGMAN

Confronting Backlash States
A Debate
ANTHONY LAKE • F. GREGORY GAUSE III

Russia's Trials
BRZEZINSKI: The Premature Partnership
AFANASYEV: Back To Central Planning
HANDELMAN: The Russian 'Mafiya'

Life After Proliferation
Václav Havel: A Call for Sacrifice
A Conversation with *Lee Kuan Yew*

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FOREIGN AFFAIRS

MARCH/APRIL 1994
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The West must open itself up to the states that communism cleaved from Europe. Otherwise it risks undermining the values of its civilization—the very things worth sacrificing for.

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The nonproliferation regime is unraveling, and the Soviet rival is gone. The first goal of U.S. policy should be to keep America out of potential nuclear crossfires.

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America cannot avoid the dangers of small states with big weapons. U.S. policy must shift to deterrence, and only a conventional threat will be believed.

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Competitiveness: A Dangerous Obsession *Paul Krugman* 28

The view that nations compete against each other like big corporations has become pervasive among Western elites—many of whom are in the Clinton administration. As a practical matter, however, the doctrine of "competitiveness" is flatly wrong. The world's leading nations are not, to any important degree, in economic competition with each other. Nor can their major economic woes be attributed to "losing" on world markets. This is particularly true in the case of the

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United States. Yet Clinton's theorists of competitiveness—from Laura D' Andrea Tyson to Robert Reich to Ira Magaziner—make seemingly sophisticated arguments, most of which are supported by careless arithmetic and sloppy research. Competitiveness is a seductive idea, promising easy answers to complex problems. But the result of this obsession is misallocated resources, trade frictions and bad domestic economic policies.

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Bucking a worldwide trend toward democracy, free markets and civilized conduct, "backlash states" pose a threat to U.S. interests and ideals. The United States must devise strategies to contain and eventually transform these rogue regimes. Iran and Iraq are particularly troublesome since they not only defy nonproliferation efforts but border the vital Persian Gulf. Past attempts to build up Iran to counter Iraq and vice versa have been disastrous. The policy of "dual containment" creates a favorable balance of power in the region by relying on America's strengths and those of its allies, and it is already showing signs of success.

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"Dual containment" is shot through with dangerous inconsistencies and flaws. It assumes that either the regional status quo in the Middle East will endure or the United States will be able to stage-manage a change of regime in Iraq—while keeping Iran from being a spoiler of stability. Dual containment now pushes Iran and Iraq closer together despite their history of hostility. An end to the futile U.S. economic embargo of Iran and a diplomatic dialogue to assuage Iran's fears of hostile encirclement would make for a better policy.

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Rosy scenarios of a democratic, economically revitalized Russia are the basis for the U.S. partnership with Boris Yeltsin. Such views hinge on the assumption that Russia wants peace with its neighbors. But Russia cannot be both a democracy and an empire, and it now seems to be choosing the latter. In the "near abroad," the politically powerful Russian military hungrily eyes breakaway republics. By heaping aid on a corrupt economy and deferring to wounded pride, the United States will legitimize a Russian sphere of influence in Europe's east and forfeit the fruits of its Cold War victory. A more even-handed diplomacy and distribution of aid among the former Soviet republics could temper Russia's imperial impulse.

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Organized crime syndicates, flush with smuggling profits and tied to all levels of government, have undermined reform and fueled Russia's ultranationalist backlash. Unprecedented violence is the most visible sign of their competition in the new economy. Can a free-market democracy flourish in a state where making a profit may be a crime and where Western-style racketeering laws have yet to make it onto the books? Russia needs help in bringing its justice and law enforcement system into the modern era, before capitalism becomes synonymous with chaos in the mind of a dangerously disillusioned public.

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Bringing the newly market-oriented countries of Asia, Latin America and Eastern Europe into the global economy would harness the productive capacity of some three billion people. But increased resistance to free trade has cut the supply of

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political tolerance for another global trade round anytime soon. An expansion of regional trading areas such as the European Union and NAFTA promises the greatest progress, but international efforts must keep regional blocs from becoming protectionist and ensure they are compatible with the global trade regime.

A Conversation with Lee Kuan Yew *Fareed Zakaria* 109

More than economics, more than politics, a nation's culture will determine its fate. So says the man who built Singapore, Lee Kuan Yew. Lee is not optimistic that other nations can replicate East Asia's staggering growth. He is critical of the social breakdown that he sees in America: "The expansion of the rights of the individual has come at the expense of orderly society." East Asia is changing in the face of rapid growth, but Lee doubts that American-style individualism will ever catch on there. While critical of American social order, Lee strongly supports America's role as a balancer in East Asia. If it withdraws, other powers—notably Japan—would go their own way. And that would unsettle the region's peace.

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Editor's Note

Order from Chaos

One of the emerging truisms of the post-Cold War world is that we have moved from an era of military and political competition between the great powers to one of economic competition. In our lead essay, noted economist Paul Krugman asserts that this "competitiveness hypothesis" is not only utterly unsupported by data but that thinking in such terms leads to bad public policy on a range of issues from trade to health care. Much of the recent writing on economic and trade policy on both sides of the Atlantic has been premised on arguments that Krugman dismisses. If Krugman is right, these writings are wrong. A discussion on this important topic should prove useful, particularly at a time when the finance ministers of the world's richest nations are set to gather in Detroit to ponder the fate of their economies. To encourage that debate, we will publish a set of responses to this essay in our May/June issue.

PROLIFERATING PROBLEMS

The unruly forces unleashed by the Cold War's passing ominously include nuclear proliferation and regional state ambitions. While not entirely new, these issues are flowering in dangerous configurations now that they are sprung from the constraints of superpower rivalry. As threats to international stability and security, they critically test the ability of Western policymakers to adjust to unfamiliar circumstances.

Foreign Affairs publishes in this issue companion commentaries on these challenges. For the most part, the authors agree on the nature of the problems but offer strikingly different prescriptions.

On nuclear proliferation, security analysts Ted Galen Carpenter and Seth Cropsey concur that the genie is out of the bottle. The fuel, the technology, even the weapons and their delivery missiles can be acquired or developed by determined regional powers. North Korea is not alone in racing down the nuclear path. Iran is similarly ambitious. So is Iraq, although inhibited for some time by its defeat in the Persian Gulf War. Israel is already there. At a minimum, India and rival Pakistan are on the threshold. Ukraine may welsh on its latest accord to denuclearize as it has on previous agreements. And there are other would-bes and can-bes. Such conditions emasculate the U.S. doctrine of "extended deterrence," of stretching a credible nuclear umbrella over nonnuclear allies while denying nuclear capabilities to potential foes.

Carpenter worries that by persisting with extended deterrence the United States will become automatically

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entangled in regional conflicts that escalate to nuclear exchanges. To avoid such nightmarish scenarios, he thinks the United States should employ diplomatic and economic leverage. But he also would announce clear limits to any involvement. Horrible as a nuclear exchange would be for the people of any region, Carpenter favors an announced U.S. intention to stand aside unless its strategic interests are at stake.

Cropsey agrees that extended deterrence is a spent doctrine. However, any use of nuclear weapons strikes him as being of strategic import, even if only in elongated fashion. For Cropsey, it is axiomatic that the nuclear threshold must never be crossed. Therefore, he would go further and act tougher than Carpenter to perpetuate prevention. While forswearing U.S. nuclear intervention, he advocates the continued development of punishing conventional arms, whose threatened use by America would inhibit regional adversaries from escalating to the nuclear stage.

CONTAINING ROGUE STATES

Nuclear ambition is but one of the nettles provoking the Clinton administration's policy of fencing in Iran, Iraq and North Korea. The regimes of these rogue states are hostile to a Western-led international order and its values. Moreover, they each maintain implacable hostility to a neighboring U.S. ally—Israel in the case of Iran and Iraq and South Korea in the case of North Korea. National Security Adviser Anthony Lake defends the administration's stern posture toward such unmalleable regimes. Until convergence or collapse occurs, containment is to be enforced as it was for so long against the Soviet Union. In the meantime, the oil-rich Middle East must be protected from domination by any one state.

Concerning Iran and Iraq, Middle East scholar F. Gregory Gause does not deny their hostile countenances. But he contends the Clinton administration's policy of "dual containment" to isolate these recalcitrant regimes will produce more negative than positive results. Isolation just increases their bile and spurs them toward subterranean deals for prohibited technology from the likes of China and North Korea. Careful and patient U.S. engagement might provide the needed succor to moderate elements striving to emerge within these countries. And upon close examination, Gause finds the dual containment policy prone to developing the characteristics of a sieve. With Iran and Iraq, a sufficient number of other countries want diplomatic and economic intercourse to prompt their acting on those desires before too long.

The common thread in these two arguments is the search for control where possible and adjustment where necessary to dangerous new forces for which past policies are not adequate safeguards. On making the right choices and avoiding bad ones may well rest stability and security in the era now unfolding.

James F. Hoge, Jr.
Editor

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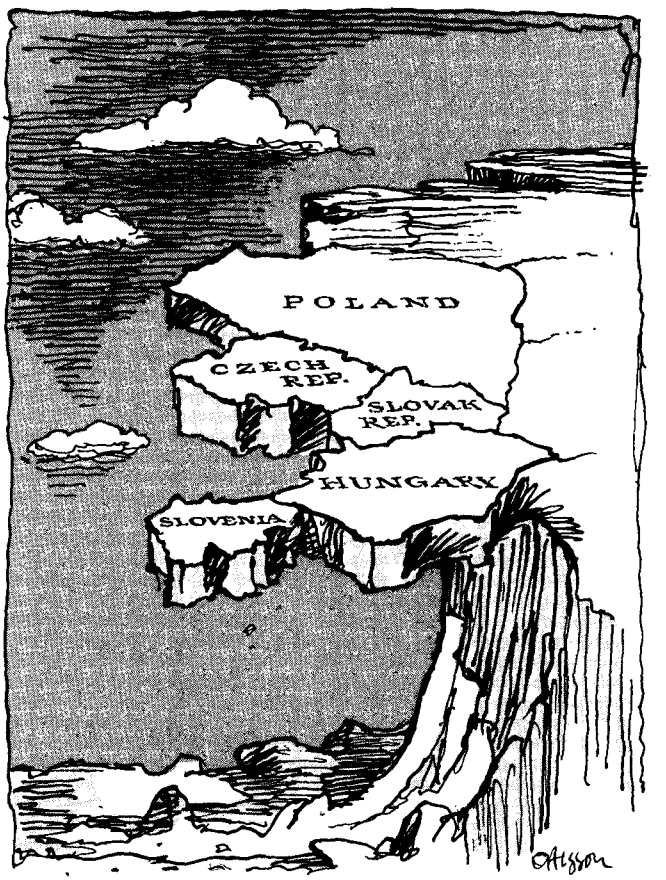

"The West should not look on as though it were the audience at a horror movie, on edge to know how it will turn out."

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A Call for Sacrifice

The Co-Responsibility of the West

Václav Havel

Four years after the fall of communism, it can be said without much exaggeration that this momentous historical event has caused the democratic West some major headaches. For all we know, many a Western politician may occasionally wonder, in the privacy of his mind, whether it might not have been a mistake to support the struggles for self-liberation within the Soviet bloc (even though that support was mainly verbal and moral) and whether the West should not have done more to prolong the existence of communism. After all, the world used to be so simple: there was a single adversary who was more or less understandable, who was directed from a single center, and whose sole aim in its final years (not counting some predictable exceptions) was to maintain the status quo. At the same time, the existence of this adversary drew the West together as well, because faced with this global and clearly defined danger, it could always somehow agree on a common approach.

All that has vanished. The world has suddenly become unusually complex and far less intelligible. The old order has collapsed, but no one has yet created a new one. Meanwhile, the "postcommunist world" is constantly springing new surprises on the West: nations hitherto unheard of are awakening and want countries of their own. Highly improbable people from God knows where are winning elections. It is not even clear whether the very people who four years ago so astonishingly roused themselves from their torpor and overthrew communism do not actually miss that system today.

The unwitting nostalgia in the West for the old order may be discerned even in such superficial matters as how they refer to our countries. From the Czech Republic to Kazakhstan we are, and will no doubt remain for some time, "postcommunist countries" and "former members of the former Warsaw Pact." I am guilty of having used these expressions myself, but I must admit an increasing aversion to them. After all, we did not go through the trouble of getting rid of communism only to have it remain—even with a prefix—forever sewn to our

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VÁCLAV HAVEL is President of the Czech Republic. This article was translated from the Czech by Paul Wilson.

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coats. Nor did we go through the trouble of liquidating the Warsaw Pact only to bear forever the stigma of our former membership in it. (Not long ago I observed, somewhat undiplomatically, that we do not refer to the United States as a "former British colony.")

These formulations betray both a need to categorize us and the inability to find a key to understanding us other than the old familiar one. Indeed, I sometimes feel sorry for Western statesmen when I observe the unease and surprise with which they listen to the widely divergent geopolitical and historical homilies delivered by various representatives of our part of Europe. The Pole still goes on about the 1941 division of Poland by Germany and Russia, almost as though he expected it to begin again tomorrow; the Hungarian refers to the Treaty of Trianon in 1920 as a historical wrong done to his people and how, as a consequence, an enormous number of Hungarians no longer live in Hungary proper; a Czech will complain about Munich and Yalta and the other betrayals of his poor country by the West; and a Slovak will talk about what a historical injustice it was that no one ever perceived the Slovaks as a separate nation. In such moments I realize how much easier it must have been for Western politicians when they were faced with a homogenous Soviet mass and didn't have to worry about distinguishing one nation from another.

WHOSE ORDER WILL IT BE?

I well understand the unease with which the West follows what, for it, are the strange problems of all of those "postcommunist countries," and I well understand all the real (though often unexpressed) reasons that lead the West to behave reticently toward them. Still, I am strongly persuaded that this reticence is extremely shortsighted and that over time it may even become quite dangerous, for it is not, as it may seem, a sign merely of sober judgment alone but also of an inability to comprehend the essence of the new situation, and a lack of imagination and courage in the search for new solutions commensurate with the new circumstances.

If the West, along with all the other democratic forces in the world, is incapable of rapidly engaging in the common creation of a new order in European and Euro-Asian affairs—a better order than the old bipolar one—then someone else might well begin to do the job, and the order thus created could well be far worse than the one preceding it. I am thinking not so much of a new Stalin, but rather of the "order" that could emerge from the violent clash of many different and impenetrable forces that the disorganized state of the world today may bring to life, not only in the East, but in the West as well.

Such an outcome would inevitably lead to new conflicts and new suffering, perhaps far greater than what came before. Not only that, it could ultimately demonstrate that the democratic West has lost its ability realistically to foster and cultivate the values it has always proclaimed and undertaken to safeguard, and to which end it has built its arsenal of weapons. Such a state of affairs would be far more than just a crisis of the East; it would also be a crisis of the West, a crisis of democracy, a crisis of Euro-American civilization itself. Let events in the former Yugoslavia stand as a warning: this is not just a Balkan predicament.

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The inability of Europe and the United States to intervene effectively in defense of the basic values of civilization that are being so drastically destroyed in the Balkans (and, what is more, in an area that was always an integral part of Europe) tells us something about the democratic world as well.

If we in these "postcommunist" countries call for a new order, if we appeal to the West not to close itself off to us, and if we demand a radical reevaluation of the new situation, then this is not because we are concerned about our own security and stability, and not only because we feel that the security of the West itself is at stake. The reason is far deeper than that. We are concerned about the destiny of the values and principles that communism denied, and in whose name we resisted communism and ultimately brought it down.

I recognize that this rather bold claim calls for an explanation.

THAT WORTH SACRIFICING FOR

Well then: many years of living under communism gave us certain experiences that the noncommunist West (fortunately) did not have to go through. We came to understand (or to be precise some of us did) that the only genuine values are those for which one is capable, if necessary, of sacrificing something. (The Czech philosopher Jan Patočka, at the end of his life, devoted considerable thought to this question.) The traditional values of Western civilization—such as democracy, respect for human rights and for the order of nature, the freedom of the individual and the inviolability of his property, the feeling of co-responsibility for the world, which means the awareness that if freedom is threatened anywhere, it is threatened everywhere—all of these things become values with moral, and therefore metaphysical, underpinnings. Without intending to, the communists taught us to understand the truth of the world not as mere information about it, but as an attitude, a commitment, a moral imperative.

I have the impression that precisely this awareness is sadly lacking in the present-day West, the "non-postcommunist" West (but with increasing obviousness, in the "postcommunist" West as well). Naturally, all of us continue to pay lip service to democracy, human rights, the order of nature and responsibility for the world, but apparently only insofar as it does not require any sacrifice. By that, I do not mean, of course, merely sacrifice in the form of fallen soldiers. The West has made, and continues to make, such sacrifices (though some instances of it may be more meaningful than others). I have in mind, rather, sacrifice in a less conspicuous but infinitely broader sense, that is, a willingness to sacrifice for the common interest something of one's own particular interests, including even the quest for larger and larger domestic production and consumption. The pragmatism of politicians who want to win the next election, for whom the highest authority is therefore the will and the mood of a rather spoiled consumer society, makes it impossible for them to be aware of the moral, metaphysical and tragic dimensions of their own program.

Why has the West lost its ability to sacrifice? There are probably many reasons, some completely random political

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ones, others that might be called philosophical. One example of a random political reason would be a deceptive impression that has apparently gained wide currency in the United States. Since the fall of communism is considered by many an American victory, now that the Cold War is over, the impression is that the headaches it caused are over too. But the headaches are never over. If the West has indeed won the Cold War, then today it faces perhaps an even more difficult task: winning the peace as well. But there are also reasons, as I have said, that run considerably deeper. The economic advances of Euro-American civilization, based as they are on advances in scientific and technical knowledge, have gradually altered man's very value systems. Respect for the metaphysical horizons of his being is, to an increasing extent, pushed aside to make room for a new deity: the ideal of the perpetual growth of production and consumption.

This is the source of that protectionism, that fear in the West of cheap Eastern goods, that fear of getting more deeply involved anywhere where there are no immediate gains, of that caution, that lack of imagination and courage, that love of the status quo that ultimately leads many to call the part of Europe that has freed itself from communism in the name of democracy—if not "current," then at least "former members of the Warsaw Pact," "former members of COMECON," "immature and unstable democracies" and, as far as possible, to lock them up in the world to which they have become accustomed.

A liberal market economy? Yes, but only for us. Security? Yes, but only for us. National interests? Yes, but only our own. No, I am not speaking out of a sense of injury or unrequited love: if you will pardon me for saying so, I know more about the immaturity of Czech democracy than anyone in the West. I am simply making some general observations. The Western way of affirming Western values, in short, seems to me to have seriously cooled off.

Is it any wonder that in more than one "postcommunist" country, "postcommunists" have done well in elections? This circumstance might even be attributable to the "non-postcommunist West," which is doing so much to make the "postcommunist West" or the "East" itself disappointed in the atmosphere of the world in which it placed so much hope during the time of resistance to communism.

Let me make myself clear: I do not think at all that the main role of the democratic West is to solve all the problems of the "postcommunist world." Our countries (whether those who declare themselves to be, and evidently are, a part of the Western European sphere of civilization, or others who belong to the "Central Asian" sphere of civilization, or to any other) must deal with their own immense problems themselves. The "non-postcommunist West," however, should not look on as though it were a mere visitor at a zoo or the audience at a horror movie, on edge to know how it will turn out. It should perceive these processes at the very least as something that intrinsically concerns it, and that somehow decides its own fate, that demands its own active involvement and challenges it to make sacrifices in the interests of a bearable future for us all.

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'PARTNERS' TAKE RESPONSIBILITY

The creation of a new order can have dozens of variations. It is a matter of evolution and assumes great judgment and a profound capacity to understand. No one will get anywhere these days with the designation "former members of the former Warsaw Pact"; in fact, insisting on this formulation may only cause further damage. For instance: on the matter of security arrangements, the nature and substance of the "Partnership for Peace" project will be one thing if we are talking about the Central Asian republics that are today members of the Commonwealth of Independent States, and something entirely different in the case of countries such as Hungary, the Czech Republic, Slovakia or Slovenia. By virtue of their entire history, spiritual and intellectual traditions, culture, atmosphere and geopolitical position, the latter countries belong to the classical European West, and any separation of them from that West would be suicidal for the whole of Europe (something anyone with even rudimentary knowledge of European history should understand).

I am not criticizing the "Partnership for Peace" proposal. On the contrary, I consider it a very reasonable starting point. (If I can fault it for anything, it would only be for not having come into existence two or three years ago.) I am merely saying that everything now will depend on how it is carried out. This alone will be the proper test of the West's resolve. Specifically, I imagine that in the case of the central European countries (and later other European countries) full membership should clearly and quickly become the goal. NATO would thus gradually outgrow its present role to become a genuinely pan-European security structure. But this expansion of NATO should take place against the background of a clearly defined and genuinely cooperative relationship with Russia (or the Commonwealth of Independent States) as a great Euro-Asian nuclear power that is, in all respects, in a radically different position than the small Central European countries. The "Partnership for Peace" proposal could also provide a starting point for this specific relationship.

At this moment, however, my concern is not with concrete proposals for a new architecture of Atlantic-European-Asian relations, even though I have my own specific opinions about them, but with something different: the very unwillingness of the "non-postcommunist West" even to join in the creation of such proposals, its unwillingness to hear the warning voices coming from our part of the world. My concern is that the West come to understand that the great task of self-defense against the communist menace has been supplanted today by an even more difficult task: to assume courageously, in its own interests and in the general interest, its share of the responsibility for the new organization of things in the entire northern hemisphere.

To make my point briefly and simply: it seems to me that the fate of the so-called West is today being decided in the so-called East. If the West does not find a key to us, who were once violently separated from the West (with no great resistance on its part), or to those who somewhere far away have likewise extricated themselves from communist domination, it will ultimately lose the key to

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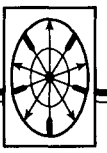
itself. If, for instance, it looks passively on at "Eastern" or Balkan nationalism, it will give the green light to its own potential nationalism, which it was able to deal with so magnanimously in the era of the communist threat. If it closes its eyes to the postcommunist ecological catastrophe, it will sooner or later bring on its own ecological catastrophe, and ultimately a global one. If it does not learn from our experience about where human pride can lead, the hubris of people who invent a rational utopia for themselves and try to create a paradise on earth, if it persists in its anthropocentric understanding of the earth, it will bear the consequences itself, and so will the whole world. If its own consumer affluence remains more important for it than all the foundations of that affluence, it will soon forfeit that affluence.

Today, more than ever before in the history of mankind, everything is interrelated. Therefore the values and the prospects of contemporary civilization are everywhere subjected to great tests. Because of this, the future of the United States or the European Union is being decided in suffering Sarajevo or Mostar, in the plundered Brazilian rain forests, in the wretched poverty of Bangladesh or Somalia. Theoretically, almost everyone now knows this. But how does this knowledge find expression in practical policies? In the practical politics of each one of us?

People today know that they can only be saved by a new type of global responsibility. Only one small detail is missing: that responsibility must genuinely be assumed.



THE NEW SPAIN

From Isolation to Influence

KENNETH MAXWELL AND STEVEN SPIEGEL

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Closing the Nuclear Umbrella

Ted Galen Carpenter

The recent crisis over North Korea's nuclear program is merely the latest evidence that the global nonproliferation regime, symbolized by the nuclear Nonproliferation Treaty (NPT), is inexorably breaking down. Although U.S. concessions may ultimately induce Pyongyang once again to allow international inspections, that will be a meager accomplishment. It will hardly offer reliable guarantees that a regime as secretive and politically opaque as North Korea's cannot evade International Atomic Energy Agency scrutiny while pursuing a clandestine nuclear weapons program. Iraq, for one, was certainly able to do so while complying with all IAEA inspection requirements.

North Korea is only one of several states with nuclear ambitions. India and Pakistan have also emerged as threshold aspirants to—if not already full-fledged members of—the once-exclusive global nuclear club. Persistent reports surface of Iranian and Libyan efforts to exploit the political chaos in the former Soviet Union to purchase their own small arsenals. Even Ukraine's agreement with the United States and Russia to turn over its nuclear warheads is far from certain, given the foot-dragging and obstructionist tilt of the Ukrainian parliament as well as the widespread public sentiment for retaining the weapons. These worrisome trends more than offset any positive developments, such as France's and China's decisions to adhere to NPT provisions or South Africa's announcement that it has given up the arsenal it had developed surreptitiously in the 1980s.

It is time for U.S. leaders to reassess Cold War policies on nonproliferation, security commitments and extended deterrence and to adapt them to changed international circumstances. These commitments may once have made sense, given the need to thwart the Soviet Union's expansionist agenda. But they are highly dubious in the absence of the superpower rivalry. They now threaten to

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embroil the United States in regional conflicts where nuclear weapons have already proliferated or will inevitably proliferate soon. Washington should give up its fruitless obsession with preserving the NPT and the unraveling nonproliferation system that it represents.

ENTANGLING NUCLEAR ALLIANCES

Proliferation is frequently occurring in areas where bitter regional rivalries, ethnic or religious tensions, and raging border disputes could potentially involve the United States. Stalinist North Korea's hostility toward South Korea has already produced one major war, and the ironically named demilitarized zone between the rival states remains the most heavily armed area on the planet. Relations between India and Pakistan are only slightly less acrimonious. The two countries have fought three major wars since independence in 1947, and border skirmishes over the disputed province of Kashmir are commonplace. Iran has ambitions to become the preeminent power in the Persian Gulf region, a prospect that alarms Saudi Arabia and other neighbors. Ukraine jealously guards its newly won independence from Moscow and worries that Russia will someday attempt to reassert its imperial prerogatives. Those fears are not unfounded, as Russian politicians across the political spectrum openly express irredentist sentiments toward Ukraine. A simmering dispute involving the Crimea—a Ukrainian territory inhabited predominantly by Russians—is an especially dangerous flashpoint.

The prospect that such virulent rivals are already armed or could soon be armed with nuclear weapons is alarming enough. Even more unsettling is the existence of security commitments that could embroil the United States. In the case of the two Koreas, the United States is pledged to defend the south from attack and currently deploys more than 36,000 U.S. troops on the peninsula. Washington's exposure in the Pakistan-India confrontation is less severe—primarily because no American forces are stationed as a tripwire on the subcontinent—but a 1959 defense agreement nonetheless obligates the United States to assist Pakistan if it becomes the victim of aggression. The U.S. commitment to protect Saudi Arabia's security may be informal but, as the Persian Gulf War confirmed, it is quite real. As of yet Washington has no known obligations that might involve it in a confrontation between Russia and Ukraine. But the "security assurances" that U.S. officials may have offered to entice Ukraine to relinquish nuclear weapons are worrisome, especially given the ongoing campaign among many in the U.S. foreign policy community to extend NATO's security jurisdiction to Eastern Europe. If the enlargement of NATO ultimately includes Ukraine, which some enthusiastic proponents have suggested, then the United States would be obligated by Article 5 of the North Atlantic Treaty to help defend that country should it come under attack.

AN IMPRACTICAL POLICY

American leaders hope to evade the dilemma posed by this proliferation of weapons and security obligations by redoubling efforts to prevent new

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nuclear-weapon states from emerging in the first place. Although a noble objective, it is also an impractical one. Diplomatic or economic inducements are unlikely to dissuade regimes that have expansionist aims or that fear for their own survival from acquiring independent deterrents. As the case of North Korea suggests, such a strategy will produce (at best) paper promises. Indeed, offering concessions if a nuclear aspirant agrees to forgo weapons programs creates a perverse incentive. Other nations may conclude that playing the nuclear card is an extremely effective way to get Washington's attention and extort concessions.

More hard-line policies, however, show no better promise of halting proliferation. A strategy of coercive nonproliferation—relying on economic sanctions or preemptive military strikes—is not a viable option in most cases. Sanctions have not had an impressive record of persuading target regimes to alter their policies on important issues. Embargoes are especially likely to prove futile in compelling countries such as North Korea and Iran to abandon nuclear aspirations, since those countries are already largely isolated from the global economic system.

Preemptive military strikes would theoretically be much more effective, but that approach also has serious drawbacks. Clandestine weapons development sites are hard to identify and attacks on operating reactors run the risk of spreading radioactive fallout, endangering civilians in the target country as well as those in neighboring nations. Moreover, the country that had been assaulted would have every incentive to seek revenge against the United States. At the very least, a preemptive strike could increase the prospect of terrorist incidents and attacks on U.S. military forces and regional clients. Bombing North Korea's nuclear facilities, for example, could trigger a general war on the Korean Peninsula, engulfing the American troops stationed directly astride the invasion routes leading from the demilitarized zone to Seoul.

DISTENDED DETERRENCE

The impracticality of attempting to stem the spread of nuclear weapons in the post-Cold War world means that Washington must face some hard choices concerning its security commitments to regional allies and clients. Greater proliferation calls into question the benefits to the United States of preserving the doctrine of extended deterrence, and thus the credibility of U.S. guarantees.

To discourage nuclear proliferation, U.S. policymakers have been willing to continue the Cold War era bargain: if Washington's allies and clients renounce ambitions to acquire independent deterrents, the United States will help protect their security, including in many cases extending the protection of the U.S. nuclear arsenal. But the nature of the risk has changed dramatically. Throughout the Cold War, the United States had to deter only one hostile nuclear-weapon state. (By the time China acquired a credible arsenal, the rapprochement between Beijing and Washington was already under way.) True, even in the bipolar context extended deterrence entailed some risk, but as time passed an implicit set of rules governed the super-

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power rivalry, and a reckless Soviet initiative that would lead to a nuclear conflagration seemed less and less plausible.

The benefits of extended deterrence have not been trivial. Washington's nuclear umbrella provides an incentive for its allies to forgo developing independent arsenals and may also deter an aggressive regional nuclear power from attacking its neighbors. These are the reasons why advocates of extended deterrence and nuclear nonproliferation cling so desperately to a policy of extensive U.S. political and military engagement. *Washington Post* columnist Stephen S. Rosenfeld epitomizes this position when he proposes "drawing would-be nuclear countries into a network of smothering security and other ties that at once provide those countries with political and military reassurances and restrict their nuclear options."[1]

But the "smothering" strategy has significant problems. Although extended deterrence might make attacks on U.S. protectorates less likely, even in a multipolar nuclear system, it also guarantees that the United States would be disastrously entangled in any conflict that did erupt. During the Cold War a persuasive case could be made that the United States had no choice but to accept that risk in order to prevent Soviet global hegemony. But the argument that America must continue accepting similar risks merely to discourage regional conflicts is considerably less compelling. Moreover, Washington's ability to dissuade nations from acquiring nuclear weapons is extremely uneven. A network of smothering ties may work with some Cold War era allies, but how much effect will it have on North Korea, Iran or Libya, or even on a nation such as Pakistan that sees a regional adversary threatening its very survival?

That latter problem underscores a crucial point: the nonproliferation system is not merely breaking down, it is breaking down asymmetrically. The regimes that seem most determined to develop their own arsenals are in many cases precisely the ones that are most likely to contemplate using them. They are also frequently regimes over which the United States has little or no influence. Washington may inadvertently create a situation in which the more peaceably inclined nations remain nonnuclear—and entirely dependent on U.S. protection—while unstable or revanchist states are armed to the teeth.

The credibility of extended deterrence is likely to be questioned by U.S. clients as well as their adversaries. The benefits to the United States of deterring an attack on a client would appear to be far less today than during the intense U.S.-Soviet rivalry. America's global dependents would have to ask themselves whether U.S. leaders would actually accept the consequences of a nuclear war if the commitment were challenged. For them, it is not an academic matter; their survival as independent nations could hinge on the answer. A similar gnawing uncertainty about the reliability of Washington's nuclear shield was one factor that impelled Gaullist France to adopt a hedging strategy by developing a small

[1] Stephen S. Rosenfeld, "Bombs for Everyone," *The Washington Post*, June 25, 1993, p. A25.

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independent arsenal in the early 1960s. Similar considerations for other U.S. protectorates can only be more acute in the post-Cold War era.

The assumption that extended deterrence will today have the same stabilizing effect it did during the Cold War is fallacious. As Steven E. Miller points out, nuclear deterrence is not equally effective in all circumstances. In particular, "deterrence will not work well when dealing with ambiguous borders or disputed territories."[2] Territorial ambiguity was never a salient factor in the U.S.-Soviet competition. But both the India-Pakistan and Russia-Ukraine rivalries involve precisely that problem. The North Korea-South Korea confrontation is even more serious: neither regime even accepts the legitimacy of the other. Although Miller's observation was intended to support the proposition that an independent Ukrainian arsenal might not effectively deter an attack by Russia, his point is even more applicable to deterrence guarantees extended by a distant power. Their ability to prevent conflicts in cases of virulent feuds between regional enemies is doubtful.

The issue that U.S. policymakers must face—and have thus far refused to face—is whether assuming the risk of nuclear war is justifiable absent the security challenge of a superpower rival. If proliferation trends continue, Washington could face the prospect of having to deter numerous nuclear-weapon states from attacking or intimidating U.S. allies and clients. That could be a more unwieldy and more dangerous mission than was deterring the U.S.S.R. Some new nuclear powers are likely to be governed by regimes considerably less predictable and "rational" than the Kremlin leadership proved to be. Such regimes might gamble that, while Washington was willing to court nuclear war to block Soviet global hegemony, it will not be merely to prevent a shift in a regional balance of power. Further, even a reasonably rational government might conclude that stifling a hated adversary is worth risking Washington's wrath. Only one deterrence failure would cause a catastrophe for the United States.

MORE REALISTIC THAN THE CLICHÉ

The recognition that Washington's hoary policies of nuclear nonproliferation and extended deterrence will not suffice in a post-Cold War world does not mean that the United States can do nothing to reduce the danger of regional nuclear wars. U.S. leaders can pursue a number of worthwhile, low-risk initiatives.

Further reductions in America's own oversized arsenal would foster a less threatening global environment and weaken the incentive for other states to counter perceived U.S. intimidation. Extending the moratorium on U.S. nuclear tests would also engender a less confrontational atmosphere. Washington should encourage the establishment of nuclear-free zones in regions such as South America and sub-Saharan Africa where no nation currently possesses such weapons or seems on the brink of doing

[2] Steven E. Miller, "The Case Against a Ukrainian Nuclear Deterrent," *Foreign Affairs*, Summer 1993, p. 71.

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so. In cases where two or more regional rivals already have arsenals, the United States can help them develop reliable command-and-control systems to prevent accidental launches or the theft of weapons by terrorist organizations. An active U.S. diplomacy can also assist such adversaries to articulate defensive nuclear doctrines to minimize the chances of miscalculation.

Such an approach would require a willingness to acknowledge that the number of nuclear-weapon powers is certain to grow regardless of America's wishes. As one Indian scholar has noted, the issue of nonproliferation is a moot point with respect to his region; rather, "The question is how to make a nuclearized South Asia stable and free of war."[3] Such a policy focus is more realistic than the clichéd recitation of the virtues of nonproliferation in places where proliferation is already a given. The relevant task now is not so much to prevent proliferation as to learn how to live with it.

The United States can take some steps to help make a multipolar nuclear world marginally safer. Under no circumstances, however, should Washington place this country at risk in purely regional disputes that have nuclear dangers. One can readily sympathize with countries that seek stability for their regions. But the reality is that conflicts between long-standing rivals are an ever-present danger. Some scholars, most notably Kenneth Waltz and John Mearsheimer, have argued that the possession of nuclear weapons can actually be a stabilizing factor since they tend to make their possessors more risk averse. Such arguments may be correct, but they are based on an extraordinarily thin set of experiences. The threat of mutual destruction did indeed make the United States and the Soviet Union cautious in conducting their Cold War rivalry, and Chinese officials did appear to become more responsible once their country acquired an arsenal. Nevertheless, it is a leap of faith to assume that the existence of nuclear weapons will produce similar restraint in much more volatile regional settings.

Rear Admiral Edward Scheafer, Jr., head of U.S. Naval Intelligence, warned in a recent interview that "somewhere, some time in this decade, someone is *going to set off* a nuclear weapon in deadly earnest."[4] One cannot rule out the possibility that Scheafer will be proven correct, if not in this decade, then in the next. The first task of a prudent U.S. security strategy must be to keep America out of the nuclear crossfire.

[3] C. Raja Mohan, senior research associate with India's Institute for Defense Studies and Analysis, quoted in Peter Crier, "Asian Nations Pose Greatest Nuclear Risk," *Christian Science Monitor*, Aug. 3, 1993, p. 1.

[4] Quoted in "Nuclear Survival Task Falls to U.S.," *Atlanta Constitution*, Aug. 5, 1993, p. 18.

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The Only Credible Deterrent

Seth Cropsey

The success of even an economic cripple like North Korea in building nuclear weapons demonstrates that the Clinton administration's nonproliferation policy is doomed. The policy ignores the obvious: the spread of nuclear weapons and the means to deliver them has already advanced so far that the important question is no longer how to stop their proliferation, but rather how to prevent them from being used.

Three options exist for the United States in dealing with emerging nuclear states: to persist in its current policy, which uncertainly presumes that America will extend its nuclear arsenal to regional allies and retaliate in kind against any nuclear attack; to withdraw its nuclear protection and ignore the dangers of regional nuclear conflicts as being of limited strategic interest; or to try to deter a regional nuclear aggressor through America's new conventional weapon technologies.

Only the third option offers a credible strategy that adheres to American interests. Since the end of the Cold War, the idea that the United States will use nuclear weapons to defend allies in peripheral regions has lost credibility and cannot protect either the United States or its allies from attacks by rogue states. Yet this is a danger, and a responsibility, that the United states cannot shun. As long as it remains the world's greatest economic and military power, America will be a prime target of ambitious tyrants with malignant designs.

Crossing the nuclear threshold no longer raises the prospect of engulfing the world in fire as it did when the U.S. and Soviet arsenals faced one another. But a lesser catastrophe, such as the obliteration of a single population center, is now far more likely. This new risk arises both because of the spread of nuclear weapons and also the vulnerability of powerful nations to attack by smaller ones. U.S. policymakers must assume that at least

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one of the 20 countries now possessing or trying to build nuclear weapons will use them. When this happens, the international strategic landscape will be irrevocably transformed.

The United States must shift its policy focus from nonproliferation to deterring or, if necessary, punishing a lesser nation's use of nuclear weapons. But in a proliferated world, it is important that this aim be achieved without using the very force that America rightfully seeks to contain. While the means of deterrence must change, the idea of it does not. Foremost, America must have a credible strategy—one that guarantees that the United States will inflict so much pain on an enemy that the certain disadvantages of firing a single nuclear weapon against America or its allies far outweigh the possible benefits.

NUCLEAR LIMITATIONS

The weapons of America's still formidable nuclear arsenal are a poor deterrent against the often dictatorial regimes of lesser nations for three reasons.

First is the unwillingness to use them. The utter destruction of, for example, Iraqi or North Korean civilian population centers as a response to a one or two weapon attack on their most likely American targets—military bases or personnel stationed on foreign soil—would be extremely unjust. Neither Iraqi nor North Korean civilians have any effective control over their governments. Nor did Soviet citizens. But even America's Cold War strategy of mutually assured destruction threatened first the Soviet Union's ability to launch a nuclear attack against the United States and, only subsequently, Soviet industrial and population centers. A policy of unilaterally assured destruction is not only unworthy of the United States but also falls beyond the pale what America's public conscience can safely guarantee. It would wreak such disproportionate vengeance on both the intended target and its neighbors downwind that the strategy is barely a credible deterrent.

Second, the dictators of many smaller nations have not always worried about sacrificing the lives of their citizens, especially when the regional advantages of frustrating or humiliating the United States seem within grasp. Thus even a U.S. doctrine of proportionate response to a nuclear attack—while its power to sober an enemy cannot be denied—would provide an extremely slender defense. An "irrational" despot might well calculate the costs of a nuclear exchange differently from strategists in the West—not so much in terms of lives or absolute devastation but rather in terms of what affects or furthers his own grip on power. A greater deterrent would threaten those targets he values most—the sources of his power, such as military infrastructure, bases and troops. Such a deterrent strategy could be carried out far more economically and humanely without employing nuclear weapons.

Finally, a nuclear attack on America or one of its allies must not cause the United States to subvert the very aim of its broader policy—to prevent the nuclear threshold from being crossed. A conventional response—one still capable of delivering devastating punishment—would uphold a valuable international stricture on the use of nuclear weapons and go further toward deterring a nuclear aggressor

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because of the certainty of the retaliation. Such a deterrent policy could help prevent a widening gyre of international chaos.

The United States should not rule out the use of nuclear weapons entirely. Uncertainty about American nuclear retaliation still forces an enemy to think seriously. For example, a newly belligerent Russia that again threatens America or its European allies would provide a large and well-armed nuclear opponent and perhaps require a return to a strategy of mutually assured destruction. But the U.S. strategic arsenal is as unqualified to defend this nation against lesser, rogue states as it is to protect America's allies against nuclear attack. A cold-blooded despot could challenge both America's reluctance to legitimize nuclear force by responding in kind and its unwillingness to retaliate against innocent civilian populations.

IF DETERRENCE FAILS

American policymakers need to understand the limitations of their current deterrence approach, which, like the weapons that accompany it, is based on outdated Cold War assumptions. The sad fact is that extended deterrence—the ability of the U.S. nuclear force to protect its allies—is dead. Washington's public hand-wringing about using nuclear weapons to defend states hosting U.S. forces has already undermined the credibility of the deterrent. This equivocation came both during Iraq's seizure of Kuwait and the events leading up to the current crisis with North Korea. The uncertainty stems in part from the fact that American interests in these regions are simply less pressing than the Cold War need to defend Western Europe. But the effect is plain: American nuclear protection for allies is a thing of the past.

To deal with emerging nuclear threats, the United States could refine its special operations forces and earth-penetrating missiles to destroy subterranean weapons facilities. While these instruments should be used to keep dangerous states from possessing nuclear weapons, American leaders characteristically avoid preemptive military strikes. Since the mid-1980s, for instance, the United States has had a declared policy of seeking out and destroying terrorists in advance of an attack. But this policy has never been carried out. And it is unlikely that any U.S. president would launch preemptive strikes against nuclear facilities, especially when the attack could spread dangerous radiation.

The entire weight of protecting allies and U.S. forces overseas thus falls on plans for a limited theater defense against ballistic missiles. The Bush administration had proposed spending about $6.3 billion to research and develop such a system. But between Congress and the Clinton administration, this figure has been slashed to about $3 billion, with further cuts recommended over the next five years. This program, however, is only a fragment of a shield that will not assure an ally of protection against a nuclear attack, especially one that throws a host of lethal weapons and dummies into the atmosphere. It would not defend a square foot of the United States and, most important, it is not a weapon of deterrence.

When such a theater defense is finally put into place, if the warhead of a single

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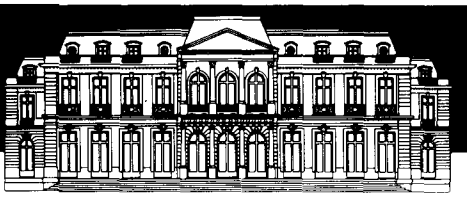

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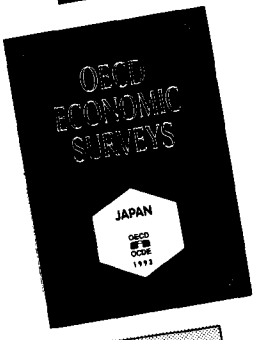

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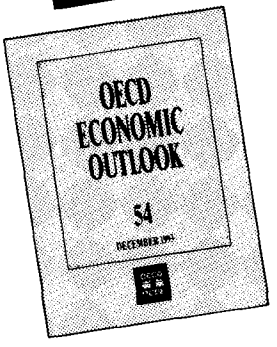

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missile detonates over its target, the United States will confront precisely the same dilemma it faces today. The choices will be either to legitimize crossing the nuclear threshold by responding in kind, to ignore a grievous attack on an ally, or to attempt to punish the transgressor with a steadily dwindling conventional military. The political effect of such unacceptable alternatives is to undermine an effective system of American alliances. The United States could eventually find itself in the position of having to defend its principles single-handedly. Moreover, America's inability to provide an effective nuclear deterrent against hostile despots hastens international disorder and, in turn, threatens its own security.

The actual use of a nuclear device would greatly increase pressure on many countries to start or complete their own nuclear weapons programs. Even the possibility that North Korea may possess a nuclear weapon has produced a legitimate and widening discussion in Japan of what, until 12 months ago, was unthinkable: a Japanese nuclear arsenal. Tokyo's effort to achieve nuclear status would generate similar programs throughout the region. An atomic burst—of whatever size—fired in anger anywhere on earth would turn the world's most economically dynamic and populous quarter into a pressure cooker heated by ancient enmities and the most powerful instruments of modern destruction.

The possibility of a direct attack on the United States will grow as more nations are able to field the most effective means of delivering unconventional weapons: rockets and submarines. Thanks to exporters such as China and North Korea, membership in the intermediate-range ballistic missile club is less and less exclusive. India, Pakistan, Saudi Arabia, Algeria, Egypt, Iraq, Iran and Afghanistan can now launch IRBMs, or are on the threshold of being able to do so. The new ballistic missile Pyongyang tested in 1993 brings Osaka, Japan, within range of North Korean fire. Director of Central Intelligence James Woolsey has told the House Select Intelligence Committee that 20 states will possess IRBM capability by the end of this decade.

Putting IRBMs aboard submarines is not an easy technical feat. But building or buying submarines, especially cheap and quiet diesel or electric subs, is not difficult. Besides the United States, 15 other nations manufacture submarines, either under licensing agreements or of their own design. Moreover, unclassified data from the recently completed global positioning satellite system gives any vessel extremely reliable information on its location, removing a significant obstacle to launching an accurate missile attack from the sea. Such a depressed-trajectory missile launched from a quiet submarine off the U.S. coast is a defense planner's nightmare. The missile would be difficult to detect and allow very little time to shoot it down—even if the United States were protected by a ballistic missile defense. In a world that had left behind the prohibition against using nuclear weapons, this nightmare turns real.

Any breach of the stricture on using nuclear weapons could slide the world toward greater and more general chaos. The effect can be likened to current con-

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cerns over Bosnia. The West's recognition of Bosnia and subsequent failure to help defend it erodes the international stricture against seizing a sovereign nation by force. It signals to ambitious, would-be rulers such as Russia's Vladimir Zhirinovsky that the revanchist path is open, that the sovereignty of Ukraine, Georgia and even Poland is important but not critical to the free nations. Greece's deputy foreign minister, George Papandreou, has seen fit to remark, "The whole concept of a multiethnic Europe has been undermined. We're tearing apart what we've built over the last 50 years in Europe."

Even a single detonation could subvert the international stricture against using nuclear weapons. Yet that possibility is only increasing. One tactical nuclear burst, for example, could be very useful in gaining the advantage before or during an armored engagement, such as a North Korean invasion across the demilitarized zone or a Russian attack on Ukraine. U.S. deterrence policy must seek not only to prevent a nuclear blast but, if deterrence fails, it should reassert the primacy of a valuable international norm to help stem any movement toward wider nuclear use. The world is clearly better off if the unwritten proscription against the use of nuclear weapons remains intact.

CONVENTIONAL WISDOM

The objectives of U.S. policy should be both to deter nuclear danger and to contain and defeat a possible aggressor. At a minimum, the United States needs an effective shield to defend itself and its allies from a rocket-borne nuclear or chemical weapon attack. But U.S. policymakers must assume that any defensive shield against a missile attack is imperfect. Thus the United States must concentrate equally on fashioning an effective sword—one that will discourage attack without using the nuclear force that would turn an increasingly unstable world into a certifiably violent one.

The U.S. cruise missile system contains many of the essential elements that can provide conventional deterrence against a nuclear threat. Launched at a distance of several hundred miles from an enemy's border, conventionally armed cruise missiles are extremely accurate and will become more so in the near future. This accuracy allows them to be aimed, for example, at an adversay's ammunition bunkers, petroleum storage facilities and repair shops without the unnecessary waste and effort of destroying the entire base.

Once multiplied, a cruise missile attack could decimate an enemy's military, providing an effective deterrent against or meaningful punishment for a smaller nation's use of nuclear force. The threat of attack against military targets by a thousand conventionally armed missiles, for example, would be a very persuasive argument against using weapons of mass destruction. And if an adversary knew that another salvo could be launched at its power-generating facilities, key communications and transportation nodes and vital industrial plants, the potential of a cruise missile conventional deterrent would be held in even greater respect. Such a response would offer a threat equal in devastation to the 60,000 sorties carried out by coalition forces during the Gulf War.

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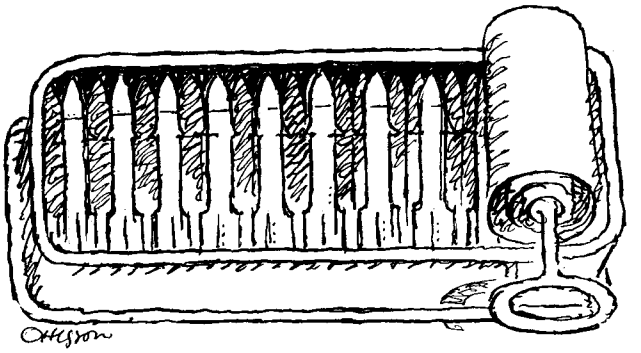
A ruler who would not be daunted by the prospect of such damage is also not likely to be deterred by any other weapon in the U.S. arsenal. A despot may willingly sacrifice the lives of his people, but because the military and its sustaining infrastructure are vital sources of his power, the prospect of their loss is far more painful. Such a conventional deterrent would allow the United States to apply formidable pressure to these sensitive points. Short of an expensive and blood-soaked invasion, no other conventional option is currently available. A cruise missile deterrent is particularly well-suited to minimizing U.S. combat casualties as well as civilian deaths. It is also consistent with America's global leadership role as well as its strategic advantage in high technology.



With about 2,300 cruise missiles in its current inventory, the United States is at least five years from fielding such an extensive deterrent system. More and better intelligence is needed to identify the critical targets of a large-scale cruise missile attack. Military planners need to know not only the exact position of key installations, but what takes place in which parts of them and, in some circumstances, when. Without this kind of precise information, the increasing precision of the weaponry is an expensive ornament. As this intelligence is refined, cruise missile accuracy should also be improved beyond current impressive levels. Further innovations must also allow military commanders fast, retargeting flexibility so that important battlefield intelligence—for example, the changing positions of an adversary's mobile missiles—can be put to effective use.

Other manageable technical problems must also be solved. Large airplanes that can fire missiles at a relatively safe distance from an enemy's border provide an almost immediate deterrent. Ships, however, offer the cheapest and most flexible way to move two or three salvos of a thousand cruise missiles each to within striking distance of any threat on the earth's surface. Vessels equipped to carry and launch so large and unique a military payload do not exist and would have to be specially built. Moreover, a safe and practical way to resupply ships at sea with cruise missiles has yet to be developed.

Although the 23 cruise missiles launched at Saddam Hussein's intelligence facility last June merely equaled the price of a single manned bomber, the approximately $2 million cost of the most expensive cruise missile needs to be substantially reduced. Greater privatization and competition in manufacturing the weapon as well as increased purchases would cut the cost of the missile sharply. Similar savings were realized in the Army's purchase of Patriot

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missiles, which cost $4.24 million each when 176 were ordered in 1982, and $1.16 million apiece when another 815 were ordered in 1990.

The costs of these improvements are slight compared to the much larger bureaucratic interest in preserving Cold War military hardware and doctrines. They are small when set alongside popular pressures to decrease the defense budget. And they are no match at all for an especially formidable obstacle to military change: Washington's stated counter-proliferation policy, which seeks to limit the spread of unconventional weapons rather than prevent their use.

The unique advantage of this deterrent is its ability to discourage a nuclear attack on allies as well as on the United States. This may not utterly solve the strategists' ancient problem of where to make one's stand. But it provides a sobering disincentive to aggression that can be moved around the globe independently of U.S. access to foreign bases. Most important, it can be used to prevent the crossing of the nuclear threshold, whereas launching any part of the U.S. nuclear arsenal would help gut this still valuable, if implicit, international prohibition.

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Russian Reform Is Dead

Back to Central Planning

Yuri N. Afanasyev

The political rearrangement in Russia that began with the attrition of reform forces in mid-1992 has come to an end. The January departure from government of economic and political reformers Yegor Gaidar, Boris Fyodorov and Ella Pamfilova erased all doubts. Until then, despite reactionary successes in the December parliamentary elections, it was possible to believe that the necessary reforms urged by Gaidar, however inadequate the half steps, would continue. Those economic reforms were only monetarist and anti-inflationary, not structural. But now it is clear that there will be no reforms, not even bad ones.

Under the guise of social welfare policies, a planned economy will be reestablished. Its executors will be Prime Minister Viktor Chernomyrdin; his ally, industrialist Oleg Soskovets, who will be the sole first deputy prime minister; Aleksandr Zaveryukha, deputy prime minister of agriculture; and Yuri Skokov, an industrialist and former head of the Russian National Security Council.

President Boris Yeltsin has become merely decorative. His professed understanding of Gaidar's resignation as first deputy prime minister means that he understands there will be no radical economic reforms. While Yeltsin vows that his role as president is to guarantee structural reform, his office will be ornamental. If reform is to come, the work will be done by others.

Meanwhile, Gaidar vows that from his perch in the new parliament he will not become an opponent of Yeltsin; Andrei Kozyrev, holding on as foreign minister, will further learn how to talk tough foreign policy to out-Zhirinovsky the openly fascist parliamentarian, Vladimir Zhirinovsky.

The West will continue to insist that Yeltsin represents democracy. Russia, instead of moving along the axis of time, will continue spinning in the Western-

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versus-Slavic circle codified in Russian thought by the early nineteenth century writings of Petr Chaadayev. This tension promises further conflicts like the failed coup of August 1991 and the forced shutdown of the Soviet parliament in October 1993.[1]

AN AUTHORITARIAN LEGACY

Zhirinovsky's victory in the December elections resulted from the failure of Yeltsin's reforms, but the vote also indicated something broader about Russian society and its mentality. It suggested cultural forces that lie beyond the enduring support for communist and fascist blocs, that go to the essential nature of the Russian people. In prerevolutionary Russia, public awareness was primarily traditional and mythological. The irrational predominated, with pagan and Christian concepts, symbols and ideals. People lived and acted, led not by reason but by superstition. Their freedom was confined by these intellectual limitations and habits. After 1917 an additional constraint on freedom was imposed, this time the allegedly rational ideology of Marxism-Leninism. The double bondage of these totalitarian heritages is most evident in the spiritual life of contemporary Russia. That legacy is the main reason for the sense of lost—or rather never acquired—Russian identity and the deformed perception of the surrounding world as a threat.

The main reason the Russian people have not escaped totalitarian systems, before or since 1917, has been the lack of a civil society. The state monopolized every activity, and no autonomous society existed apart from its all-pervasive scope. The same vicious trap, guaranteeing self-replication of the system, was first delineated in the mid-nineteenth century by the revolutionary populist Nikolai Chernyshevsky. Surveying the Russian Empire and its prospects, he wrote that "an omnipotent state means subjects deprived of initiative." Reforms, be they Peter the Great's or Nikita Khrushchev's, did not spring open the trap, but merely modernized the system in order to preserve and strengthen the regime.

Zhirinovsky's success cannot yet be seen as the onslaught of a Brown Shirt plague, although such a danger exists. In the short term, he is the latest of many scapegoats for the failures of reform in Russian history. Nothing is left of the latest reform movement but rhetoric. Last year saw the dwindling of the course set by Gaidar. The result is an increased gap between the authorities and society, a loss of social welfare, a predatory enrichment of the nomenklatura through the conversion of power and connections into wealth, and a shift in power toward Zhirinovsky. The prospect for Russia in the near future will be the strengthening of the military-industrial complex in union with the neo-Soviet nomenklatura, which will result in an authoritarian regime, today headed by Yeltsin, tomor-

[1] Chaadayev maintained that the Russian past and present had no meaning and that its future could only lie in a reunion with the great body of European civilization and the Roman Catholic Church. He thus stimulated the great division between Westerners and Slavophiles in Russian thought.

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row perhaps by someone else. But real political power is already under outside control, hidden and duplicitous.

REVENGE OF THE MILITARY

It has become evident that the real winner in the October 1993 showdown between Yeltsin and the Soviet parliament was the military-industrial complex, acting in unison with the bureaucracy. At the time, the events of October were seen as a victory of democracy, a removal of obstacles on the path to reform. It now appears that the military exacted certain concessions before bailing out Yeltsin by storming the parliament. The very day after the resolution of the parliamentary insurrection, Yeltsin convened a Security Council meeting that had only one item on the agenda: a new military doctrine that expanded Russia's security interests throughout the territory of the former U.S.S.R. and rescinded the no-first-use nuclear weapons pledge from the Gorbachev era. This move was initiated before fires were put out and before the dead were buried, as if in all of Russia, in all the world, there were no more important problems.

Recent actions by Yeltsin's government confirm that the military, which had lost some power under Gorbachev, now has even greater influence. No longer repeated are Yeltsin's statements on reducing the armed forces by two-thirds. Instead, as commander in chief, Yeltsin appears in photographs with a machine gun in hand and assures Russians that there will be no more concessions to the West. The 1994 budget funds military purchases at the same level as a year ago, and more than 2,000 enterprises and 660 scientific institutes throughout Russia are filling those orders. Not a single new conversion program is to be financed in 1994.

In January Russia had yet to create a budget and the new government had not been formed, but the new demands of the military were already under discussion. The Security Council met on January 19 to consider the military and technological—and therefore financial—problems of the new doctrine. Yet Boris Fyodorov, although still finance minister, was barred from the meeting.

A FOXHOLE MENTALITY

The military's political victory is tightly interwoven with Russia's foreign policy. As a result, great-power ideology is now openly espoused by some as a part of official state policy. Military pressure has already forced Yeltsin to reverse himself on acquiescing to Central and East European countries seeking NATO membership. The new military doctrine of asserting interests in the "near abroad" is fueling more blatant attempts to subordinate former Soviet republics. The idea, indicative of a foxhole mentality, is to reestablish the countries of the former socialist camp as buffers between Russia and the "far abroad." The policy is placing millions of people in Eastern Europe and Central Asia, who thought they were free of Moscow's control, in a difficult situation.

Relations between Russia and nations of the near abroad pose a huge, immediate problem. At gigantic expense to Russia, economic pressure is being used to force former Soviet republics to join the Commonwealth of Indepen-

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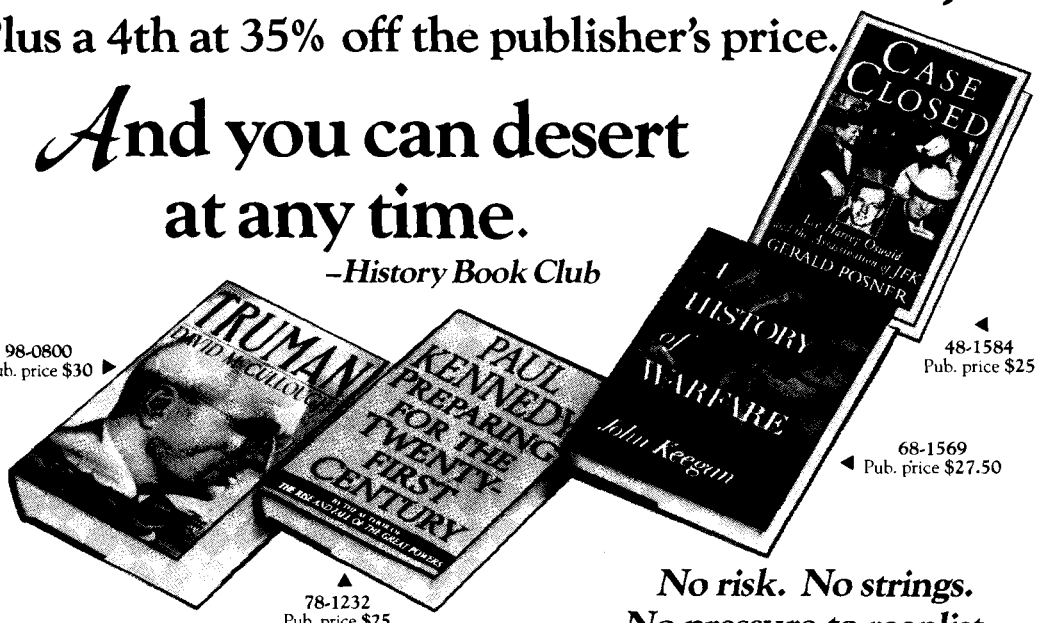

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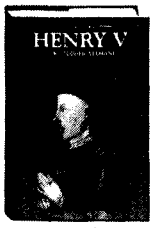

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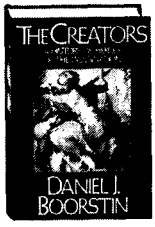

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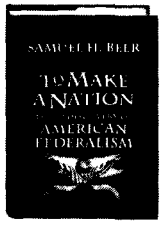

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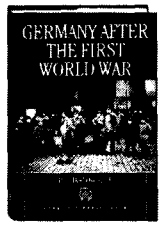

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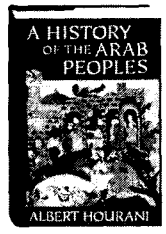

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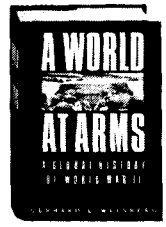

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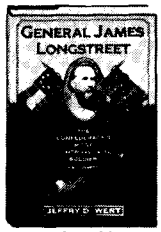

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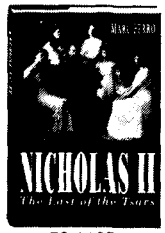

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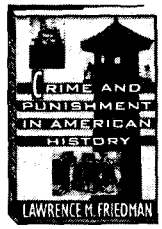

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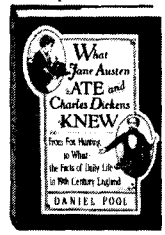

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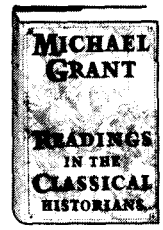

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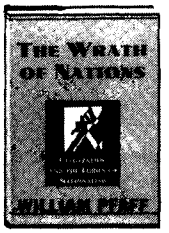

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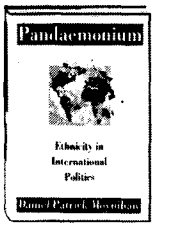

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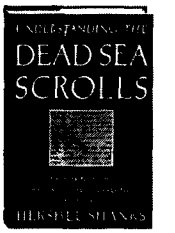

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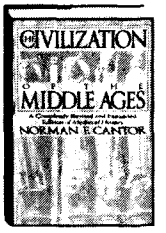

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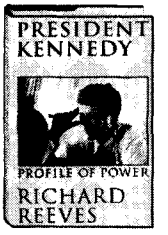

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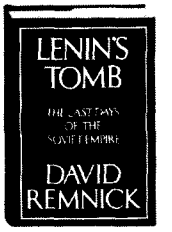

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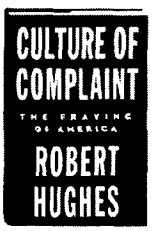

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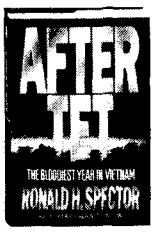

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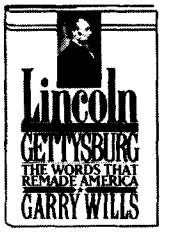

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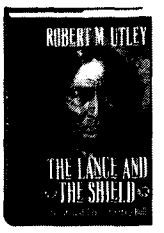

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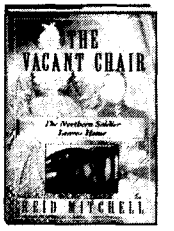

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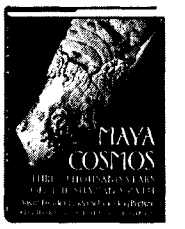

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dent States (CIS). But unlike the U.S.S.R., Russia will not accept responsibility for what happens within these countries—neither the bloodbath in Georgia nor the hunger in Armenia.

Under the guise of protecting Russian-speaking populations, Russia is now supporting "national liberation" movements in countries that seek independence. Sometimes the direct participation of Russian troops is camouflaged and presented to the world as a peacekeeping mission in an interethnic conflict. In Moldova, Russia has shown an obvious unwillingness to remove its remaining army divisions. In Georgia, Russia quietly supported the Abkhazian separatists, then salvaged President Eduard Shevardnadze's central government only after he paid the price of joining the CIS.

In Central Asia, Russia continues to wage an undeclared war with unstated aims. It is siding with a reactionary regime in Tajikistan that is ruthlessly crushing the smallest shoots of free thought and democracy. Tajiks calling for democratic changes have been forced to flee and live as émigrés in Russia, India and other countries. Russian authorities are working with the current Tajik regime to finish off the remnants of the opposition, the remnants of democratic forces. Seeking allies in the conflict so that Russia would not have to fight alone, Kozyrev traveled to Kyrgyzstan and Kazakhstan.

Russia wants to hide behind the flags of several countries, just as the U.S.S.R. did during the invasion of Czechoslovakia in 1968. The rhetoric is different, but the motives are the same: Russia's interest in a major uranium mine in Tajikistan, an aviation plant in Tbilisi, Georgia, defense plants in the Transdniester region of Moldova, and the Black Sea coast and fleet in Ukraine's Crimea. Russia's multipronged involvement in the near abroad is probably a manifestation of a hope to restore the empire. It is one thing when communists rally to demand restoration of the U.S.S.R., and another when it is the official position of the putatively reformist Russian government. Lately, Russia's foreign policy has been explained only by vague words about strategic aims, but not by thorough official statements from the foreign minister, the president or anyone else. Taken at face value, the actions suggest that the ten-year war in Afghanistan taught the current leadership nothing. Today, people are again dying throughout the CIS, and if things continue, the lives of thousands of Russians at home and abroad will be at risk. Imperial ambitions will bring Russia to total ruin. The Soviet empire collapsed because it could not support so many territories, and all attempts to revive that policy are doomed to fail.

ONLY THE NAMES CHANGE

The looming prospect of a return to the so-called planned economy is equally disastrous. Russia's age-old penchant for subordinating economic considerations to demands for control by political leaders is again at work. Despite reforms since the time of Peter the Great, the economy remains a premodern, artificial construct completely dependent on the state life-support system and incapable of surviving by market-driven decisions.

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Today the gigantic supermonopoly of the state determines the gross national product. Central planning and distribution agencies have changed names but not functions. Ministries and institutions now call themselves "holding companies" and "concerns," but they still suppress all market-oriented competition. The Central Bank has taken on many distribution functions. It distributes finances at the federal level, which is essentially the same as distributing resources and planning the volume of production. On the regional level, distribution is controlled by the local nomenklatura. In fact, such distribution is the main work of all government administrations—in oblasts, republics and Moscow.

The 400 or so monopolistic government agencies in various branches of industry all require subsidies. At their initiative new duties are being imposed on agricultural and industrial goods, thus eliminating competition, expanding opportunities for price increases and creating hothouse conditions for incompetent administrators. Pseudo-commercial banks that merely redistribute state finances and do not depend on deposits from people or enterprises now prevail. Among them are banks covering various branches of industry that add to the monopolies' strength. Fear of competition has led to a ban on foreign banks.

Agriculture remains in a terrible state, not because of a lack of equipment, fuel or money, but because of new relations among producers, consumers and the state. A gigantic monopoly, Agroprom, is the main social brake on the development of agricultural production, the introduction of private land ownership and the formation of private farms or voluntary collectives. To this day peasants of the collective farms turn in produce and receive goods in return. A product-money relationship is still lacking.

In an astonishing and unexpected form, the archaic communal system of the Russian village, combined with Agroprom's socialist practices, has become an insurmountable obstacle to reform.

The powerful agricultural lobby in the new parliament and the government will continue to demand incredible subsidies from the state treasury. Unlike Western subsidies (often cited as justification for Russian ones by the agricultural nomenklatura), Russian subsidies go not to farmers but to Agroprom, a system without analogy in any developed country.

THE NOISE OF THE TIMES

A truly democratic government should be thinking of ways to get out of the economy, leaving the state only indirect instruments of regulation—taxes, credits, financing, excises and customs duties. Unfortunately everything suggests that the leaders of the powerful economic structures will remain active and deter-

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mine the political and economic life of modern Russia. Now is not the first time reforms have been halted not only by the evil intentions of those in power but by three social forces that predominate in Russia. In production, the driving force is the military-industrial complex. Its primary interest is receiving additional payments from the state budget. The second force is the collective peasantry, debased, used to a parasitic lifestyle, thievery and shoddy work, supported by the agrarian nomenklatura. Their only hope is also the state. The third force is the bureaucracy, 20 million almost totally corrupt clerks who seek additional opportunities for bribes and form the black market. All three forces are aligned against the market economy and democracy.

Russia's great poet, Osip Mandelstam, coined a phrase for the events in Russia in October 1917, calling them "the noise of the times"—something not very clear, hard to distinguish, but powerful, agitating and frightening. With the Iron Curtain gone, an entire region that had seemed impregnable, fully formed, stable and balanced has turned into a shifting terrain. Germany has united; Hungary, Czechoslovakia and Poland are drifting toward the European Community. Everything is being moved and redefined—concepts, foundations, and economic, social and political structures. The collapse of the Soviet Union and Yugoslavia has put borders and the stability of the entire European landmass in doubt.

Russia is not exempt from these changes. But in past times of crisis, its people have been moved by underlying beliefs to return to the traditional road and reject attempts to become a modern society. Today a struggle for power is underway. One order is leaving and another has yet to arrive. Once again "the noise of the times" resounds. What will its echo bring this time? Will life in Russia find a new balance? Russia's economic, social and political conditions again speak of the enormous difficulties of escaping the vicious circle. The state still reigns supreme, and the people of Russia still have not shown the political will to take a more direct road to democracy.

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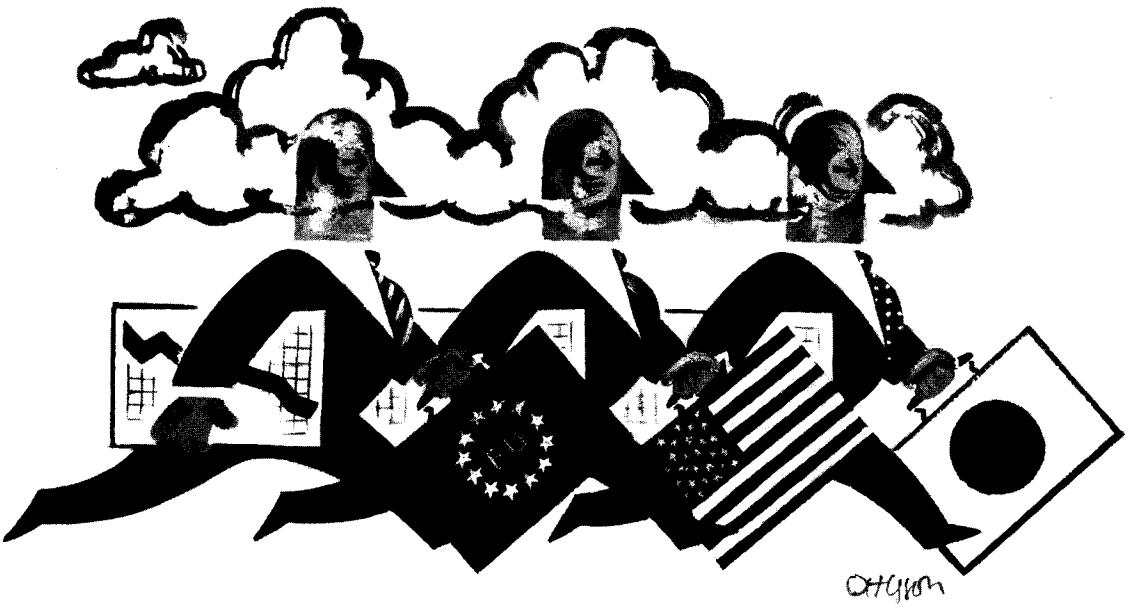

"It is simply not the case that the world's leading nations are to any important degree in economic competition with each other."

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Competitiveness: A Dangerous Obsession

Paul Krugman

THE HYPOTHESIS IS WRONG

In June 1993, Jacques Delors made a special presentation to the leaders of the nations of the European Community, meeting in Copenhagen, on the growing problem of European unemployment. Economists who study the European situation were curious to see what Delors, president of the EC Commission, would say. Most of them share more or less the same diagnosis of the European problem: the taxes and regulations imposed by Europe's elaborate welfare states have made employers reluctant to create new jobs, while the relatively generous level of unemployment benefits has made workers unwilling to accept the kinds of low-wage jobs that help keep unemployment comparatively low in the United States. The monetary difficulties associated with preserving the European Monetary System in the face of the costs of German reunification have reinforced this structural problem.

It is a persuasive diagnosis, but a politically explosive one, and everyone wanted to see how Delors would handle it. Would he dare tell European leaders that their efforts to pursue economic justice have produced unemployment as an unintended by-product? Would he admit that the EMS could be sustained only at the cost of a recession and face the implications of that admission for European monetary union?

Paul Krugman is Professor of Economics at the Massachusetts Institute of Technology. His most recent book is *Peddling Prosperity: Economic Sense and Nonsense in the Age of Diminished Expectations* (W. W. Norton).

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Guess what? Delors didn't confront the problems of either the welfare state or the EMS. He explained that the root cause of European unemployment was a lack of competitiveness with the United States and Japan and that the solution was a program of investment in infrastructure and high technology.

It was a disappointing evasion, but not a surprising one. After all, the rhetoric of competitiveness—the view that, in the words of President Clinton, each nation is "like a big corporation competing in the global marketplace"—has become pervasive among opinion leaders throughout the world. People who believe themselves to be sophisticated about the subject take it for granted that the economic problem facing any modern nation is essentially one of competing on world markets—that the United States and Japan are competitors in the same sense that Coca-Cola competes with Pepsi—and are unaware that anyone might seriously question that proposition. Every few months a new best-seller warns the American public of the dire consequences of losing the "race" for the 21st century.[1] A whole industry of councils on competitiveness, "geo-economists" and managed trade theorists has sprung up in Washington. Many of these people, having diagnosed America's economic problems in much the same terms as Delors did Europe's, are now in the highest reaches of the Clinton administration formulating economic and trade policy for the United States. So Delors was using

[1] See, for just a few examples, Laura D'Andrea Tyson, *Who's Bashing Whom: Trade Conflict in High-Technology Industries,* Washington: Institute for International Economics, 1992; Lester C. Thurow, *Head to Head: The Coming Economic Battle among Japan, Europe, and America,* New York: Morrow, 1992; Ira C. Magaziner and Robert B. Reich, *Minding America's Business: The Decline and Rise of the American Economy,* New York: Vintage Books, 1983; Ira C. Magaziner and Mark Patinkin, *The Silent War: Inside the Global Business Battles Shaping America's Future,* New York: Vintage Books, 1990; Edward N. Luttwak, *The Endangered American Dream: How to Stop the United States from Becoming a Third World Country and How to Win the Geo-economic Struggle for Industrial Supremacy,* New York: Simon and Schuster, 1993; Kevin P. Phillips, *Staying on Top: The Business Case for a National Industrial Strategy,* New York: Random House, 1984; Clyde V. Prestowitz, Jr., *Trading Places: How We Allowed Japan to Take the Lead,* New York: Basic Books, 1988; William S. Dietrich, *In the Shadow of the Rising Sun: The Political Roots of American Economic Decline,* University Park: Pennsylvania State University Press, 1991; Jeffrey E. Garten, *A Cold Peace: America, Japan, Germany, and the Struggle for Supremacy,* New York: Times Books, 1992; and Wayne Sandholtz et al., *The Highest Stakes: The Economic Foundations of the Next Security System,* Berkeley Roundtable on the International Economy (BRIE), Oxford University Press, 1992.

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a language that was not only convenient but comfortable for him and a wide audience on both sides of the Atlantic.

Unfortunately, his diagnosis was deeply misleading as a guide to what ails Europe, and similar diagnoses in the United States are equally misleading. The idea that a country's economic fortunes are largely determined by its success on world markets is a hypothesis, not a necessary truth; and as a practical, empirical matter, that hypothesis is flatly wrong. That is, it is simply not the case that the world's leading nations are to any important degree in economic competition with each other, or that any of their major economic problems can be attributed to failures to compete on world markets. The growing obsession in most advanced nations with international competitiveness should be seen, not as a well-founded concern, but as a view held in the face of overwhelming contrary evidence. And yet it is clearly a view that people very much want to hold—a desire to believe that is reflected in a remarkable tendency of those who preach the doctrine of competitiveness to support their case with careless, flawed arithmetic.

This article makes three points. First, it argues that concerns about competitiveness are, as an empirical matter, almost completely unfounded. Second, it tries to explain why defining the economic problem as one of international competition is nonetheless so attractive to so many people. Finally, it argues that the obsession with competitiveness is not only wrong but dangerous, skewing domestic policies and threatening the international economic system. This last issue is, of course, the most consequential from the standpoint of public policy. Thinking in terms of competitiveness leads, directly and indirectly, to bad economic policies on a wide range of issues, domestic and foreign, whether it be in health care or trade.

MINDLESS COMPETITION

MOST PEOPLE who use the term "competitiveness" do so without a second thought. It seems obvious to them that the analogy between a country and a corporation is reasonable and that to ask whether the United States is competitive in the world market is no

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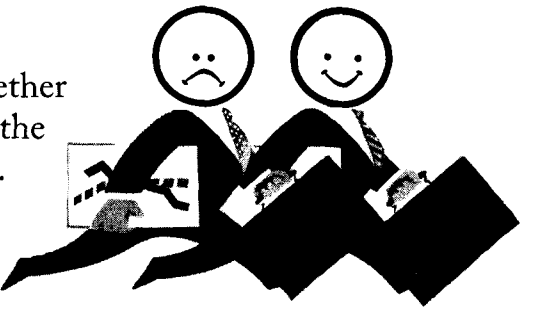
different in principle from asking whether General Motors is competitive in the North American minivan market.



A trade surplus may be a sign of national weakness, a deficit a sign of strength.

In fact, however, trying to define the competitiveness of a nation is much more problematic than defining that of a corporation. The bottom line for a corporation is literally its bottom line: if a corporation cannot afford to pay its workers, suppliers, and bondholders, it will go out of business. So when we say that a corporation is uncompetitive, we mean that its market position is unsustainable—that unless it improves its performance, it will cease to exist. Countries, on the other hand, do not go out of business. They may be happy or unhappy with their economic performance, but they have no well-defined bottom line. As a result, the concept of national competitiveness is elusive.

One might suppose, naively, that the bottom line of a national economy is simply its trade balance, that competitiveness can be measured by the ability of a country to sell more abroad than it buys. But in both theory and practice a trade surplus may be a sign of national weakness, a deficit a sign of strength. For example, Mexico was forced to run huge trade surpluses in the 1980s in order to pay the interest on its foreign debt since international investors refused to lend it any more money; it began to run large trade deficits after 1990 as foreign investors recovered confidence and began to pour in new funds. Would anyone want to describe Mexico as a highly competitive nation during the debt crisis era or describe what has happened since 1990 as a loss in competitiveness?

Most writers who worry about the issue at all have therefore tried to define competitiveness as the combination of favorable trade performance and something else. In particular, the most popular definition of competitiveness nowadays runs along the lines of the one given in Council of Economic Advisors Chairman Laura D'Andrea Tyson's *Who's Bashing Whom?:* competitiveness is "our ability to produce goods and services that meet the test of international competition while our citizens enjoy a standard of living that is both rising and

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sustainable." This sounds reasonable. If you think about it, however, and test your thoughts against the facts, you will find out that there is much less to this definition than meets the eye.

Consider, for a moment, what the definition would mean for an economy that conducted very little international trade, like the United States in the 1950s. For such an economy, the ability to balance its trade is mostly a matter of getting the exchange rate right. But because trade is such a small factor in the economy, the level of the exchange rate is a minor influence on the standard of living. So in an economy with very little international trade, the growth in living standards—and thus "competitiveness" according to Tyson's definition—would be determined almost entirely by domestic factors, primarily the rate of productivity growth. That's domestic productivity growth, period—not productivity growth relative to other countries. In other words, for an economy with very little international trade, "competitiveness" would turn out to be a funny way of saying "productivity" and would have nothing to do with international competition.

But surely this changes when trade becomes more important, as indeed it has for all major economies? It certainly could change. Suppose that a country finds that although its productivity is steadily rising, it can succeed in exporting only if it repeatedly devalues its currency, selling its exports ever more cheaply on world markets. Then its standard of living, which depends on its purchasing power over imports as well as domestically produced goods, might actually decline. In the jargon of economists, domestic growth might be outweighed by deteriorating terms of trade.[2] So "competitiveness" could

[2] An example may be helpful here. Suppose that a country spends 20 percent of its income on imports, and that the prices of its imports are set not in domestic but in foreign currency. Then if the country is forced to devalue its currency—reduce its value in foreign currency—by 10 percent, this will raise the price of 20 percent of the country's spending basket by 10 percent, thus raising the overall price index by 2 percent. Even if domestic *output* has not changed, the country's real *income* will therefore have fallen by 2 percent. If the country must repeatedly devalue in the face of competitive pressure, growth in real income will persistently lag behind growth in real output.

It's important to notice, however, that the size of this lag depends not only on the amount of devaluation but on the share of imports in spending. A 10 percent devaluation of the dollar against the yen does not reduce U.S. real income by 10 percent—in fact, it reduces U.S. real income by only about 0.2 percent because only about 2 percent of U.S. income is spent on goods produced in Japan.

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turn out really to be about international competition after all.

There is no reason, however, to leave this as a pure speculation; it can easily be checked against the data. Have deteriorating terms of trade in fact been a major drag on the U.S. standard of living? Or has the rate of growth of U.S. real income continued essentially to equal the rate of domestic productivity growth, even though trade is a larger share of income than it used to be?

To answer this question, one need only look at the national income accounts data the Commerce Department publishes regularly in the *Survey of Current Business.* The standard measure of economic growth in the United States is, of course, real GNP—a measure that divides the value of goods and services produced in the United States by appropriate price indexes to come up with an estimate of real national output. The Commerce Department also, however, publishes something called "command GNP." This is similar to real GNP except that it divides U.S. exports not by the export price index, but by the price index for U.S. imports. That is, exports are valued by what Americans can buy with the money exports bring. Command GNP therefore measures the volume of goods and services the U.S. economy can "command"—the nation's purchasing power—rather than the volume it produces.[3] And as we have just seen, "competitiveness" means something different from "productivity" if and only if purchasing power grows significantly more slowly than output.

Well, here are the numbers. Over the period 1959-73, a period of vigorous growth in U.S. living standards and few concerns about international competition, real GNP per worker-hour grew 1.85 percent annually, while command GNP per hour grew a bit faster, 1.87 percent. From 1973 to 1990, a period of stagnating living standards, command GNP growth per hour slowed to 0.65 percent. Almost all (91 percent) of that slowdown, however, was explained by a decline in domestic productivity growth: real GNP per hour grew only 0.73 percent.

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[3] In the example in the previous footnote, the devaluation would have no effect on real GNP, but command GNP would have fallen by two percent. The finding that in practice command GNP has grown almost as fast as real GNP therefore amounts to saying that events like the hypothetical case in footnote one are unimportant in practice.

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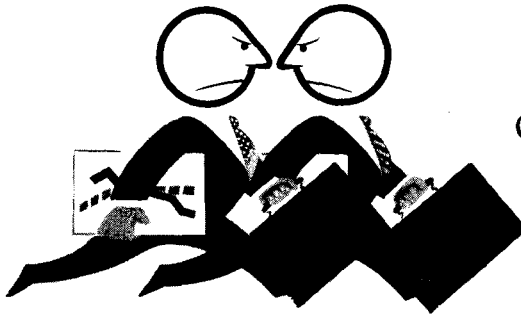

Countries do not compete with each other the way corporations do.

Similar calculations for the European Community and Japan yield similar results. In each case, the growth rate of living standards essentially equals the growth rate of domestic productivity—not productivity relative to competitors, but simply domestic productivity. Even though world trade is larger than ever before, national living standards are overwhelmingly determined by domestic factors rather than by some competition for world markets.

How can this be in our interdependent world? Part of the answer is that the world is not as interdependent as you might think: countries are nothing at all like corporations. Even today, U.S. exports are only 10 percent of the value-added in the economy (which is equal to GNP). That is, the United States is still almost 90 percent an economy that produces goods and services for its own use. By contrast, even the largest corporation sells hardly any of its output to its own workers; the "exports" of General Motors—its sales to people who do not work there—are virtually all of its sales, which are more than 2.5 times the corporation's value-added.

Moreover, countries do not compete with each other the way corporations do. Coke and Pepsi are almost purely rivals: only a negligible fraction of Coca-Cola's sales go to Pepsi workers, only a negligible fraction of the goods Coca-Cola workers buy are Pepsi products. So if Pepsi is successful, it tends to be at Coke's expense. But the major industrial countries, while they sell products that compete with each other, are also each other's main export markets and each other's main suppliers of useful imports. If the European economy does well, it need not be at U.S. expense; indeed, if anything a successful European economy is likely to help the U.S. economy by providing it with larger markets and selling it goods of superior quality at lower prices.

International trade, then, is not a zero-sum game. When productivity rises in Japan, the main result is a rise in Japanese real wages; American or European wages are in principle at least as likely to rise as to fall, and in practice seem to be virtually unaffected.

It would be possible to belabor the point, but the moral is clear:

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while competitive problems could arise in principle, as a practical, empirical matter the major nations of the world are not to any significant degree in economic competition with each other. Of course, there is always a rivalry for status and power—countries that grow faster will see their political rank rise. So it is always interesting to *compare* countries. But asserting that Japanese growth diminishes U.S. status is very different from saying that it reduces the U.S. standard of living—and it is the latter that the rhetoric of competitiveness asserts.

One can, of course, take the position that words mean what we want them to mean, that all are free, if they wish, to use the term "competitiveness" as a poetic way of saying productivity, without actually implying that international competition has anything to do with it. But few writers on competitiveness would accept this view. They believe that the facts tell a very different story, that we live, as Lester Thurow put it in his best-selling book, *Head to Head*, in a world of "win-lose" competition between the leading economies. How is this belief possible?

CARELESS ARITHMETIC

ONE OF THE REMARKABLE, startling features of the vast literature on competitiveness is the repeated tendency of highly intelligent authors to engage in what may perhaps most tactfully be described as "careless arithmetic." Assertions are made that sound like quantifiable pronouncements about measurable magnitudes, but the writers do not actually present any data on these magnitudes and thus fail to notice that the actual numbers contradict their assertions. Or data are presented that are supposed to support an assertion, but the writer fails to notice that his own numbers imply that what he is saying cannot be true. Over and over again one finds books and articles on competitiveness that seem to the unwary reader to be full of convincing evidence but that strike anyone familiar with the data as strangely, almost eerily inept in their handling of the numbers. Some examples can best illustrate this point. Here are three cases of careless arithmetic, each of some interest in its own right.

Trade Deficits and the Loss of Good Jobs. In a recent article published in Japan, Lester Thurow explained to his audience the importance of

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reducing the Japanese trade surplus with the United States. U.S. real wages, he pointed out, had fallen six percent during the Reagan and Bush years, and the reason was that trade deficits in manufactured goods had forced workers out of high-paying manufacturing jobs into much lower-paying service jobs.

This is not an original view; it is very widely held. But Thurow was more concrete than most people, giving actual numbers for the job and wage loss. A million manufacturing jobs have been lost because of the deficit, he asserted, and manufacturing jobs pay 30 percent more than service jobs.

Both numbers are dubious. The million-job number is too high, and the 30 percent wage differential between manufacturing and services is primarily due to a difference in the length of the workweek, not a difference in the hourly wage rate. But let's grant Thurow his numbers. Do they tell the story he suggests?

The key point is that total U.S. employment is well over 100 million workers. Suppose that a million workers were forced from manufacturing into services and as a result lost the 30 percent manufacturing wage premium. Since these workers are less than 1 percent of the U.S. labor force, this would reduce the average U.S. wage rate by less than 1/100 of 30 percent—that is, by less than 0.3 percent.

This is too small to explain the 6 percent real wage decline *by a factor of 20*. Or to look at it another way, the annual wage loss from deficit-induced deindustrialization, which Thurow clearly implies is at the heart of U.S. economic difficulties, is on the basis of his own numbers roughly equal to what the U.S. spends on health care every week.

Something puzzling is going on here. How could someone as intelligent as Thurow, in writing an article that purports to offer hard quantitative evidence of the importance of international competition to the U.S. economy, fail to realize that the evidence he offers clearly shows that the channel of harm that he identifies was *not* the culprit?

High Value-added Sectors. Ira Magaziner and Robert Reich, both now influential figures in the Clinton Administration, first reached a broad audience with their 1982 book, *Minding America's Business*. The book advocated a U.S. industrial policy, and in the introduction the authors offered a seemingly concrete quantitative basis for such a policy: "Our

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standard of living can only rise if (i) capital and labor increasingly flow to industries with high value-added per worker and (ii) we maintain a position in those industries that is superior to that of our competitors."

Economists were skeptical of this idea on principle. If targeting the right industries was simply a matter of moving into sectors with high value-added, why weren't private markets already doing the job?[4] But one might dismiss this as simply the usual boundless faith of economists in the market; didn't Magaziner and Reich back their case with a great deal of real-world evidence?

Well, *Minding America's Business* contains a lot of facts. One thing it never does, however, is actually justify the criteria set out in the introduction. The choice of industries to cover clearly implied a belief among the authors that high value-added is more or less synonymous with high technology, but nowhere in the book do any numbers compare actual value-added per worker in different industries.

Value Added Per Worker, 1988
(in thousands of dollars)

CIGARETTES	488
PETROLEUM REFINING	283
AUTOS	99
STEEL	97
AIRCRAFT	68
ELECTRONICS	64
ALL MANUFACTURING	66

Such numbers are not hard to find. Indeed, every public library in America has a copy of the *Statistical Abstract of the United States*, which each year contains a table presenting value-added and employment by industry in U.S. manufacturing. All one needs to do, then, is spend a few minutes in the library with a calculator to come up with a table that ranks U.S. industries by value-added per worker.

The table on this page shows selected entries from pages 740-744 of the 1991 *Statistical Abstract*. It turns out that the U.S. industries with really high value-added per worker are in sectors with very high ratios of capital to labor, like cigarettes and petroleum refining. (This was predictable: because capital-intensive industries must earn a normal return on large investments, they must charge prices that are a larger markup over labor costs than labor-intensive industries, which means that they

[4] "Value-added" has a precise, standard meaning in national income accounting: the value added of a firm is the dollar value of its sales, minus the dollar value of the inputs it purchases from other firms, and as such it is easily measured. Some people who use the term, however, may be unaware of this definition and simply use "high value-added" as a synonym for "desirable."

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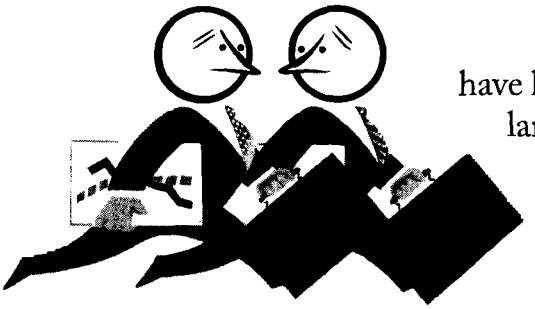

Competitiveness advocates are eerily inept in their handling of the numbers.

have high value-added per worker). Among large industries, value-added per worker tends to be high in traditional heavy manufacturing sectors like steel and autos. High-technology sectors like aerospace and electronics turn out to be only roughly average.

This result does not surprise conventional economists. High value-added per worker occurs in sectors that are highly capital-intensive, that is, sectors in which an additional dollar of capital buys little extra value-added. In other words, there is no free lunch.

But let's leave on one side what the table says about the way the economy works, and simply note the strangeness of the lapse by Magaziner and Reich. Surely they were not calling for an industrial policy that would funnel capital and labor into the steel and auto industries in preference to high-tech. How, then, could they write a whole book dedicated to the proposition that we should target high value-added industries without ever checking to see which industries they meant?

Labor Costs. In his own presentation at the Copenhagen summit, British Prime Minister John Major showed a chart indicating that European unit labor costs have risen more rapidly than those in the United States and Japan. Thus he argued that European workers have been pricing themselves out of world markets.

But a few weeks later Sam Brittan of the *Financial Times* pointed out a strange thing about Major's calculations: the labor costs were not adjusted for exchange rates. In international competition, of course, what matters for a U.S. firm are the costs of its overseas rivals measured in dollars, not marks or yen. So international comparisons of labor costs, like the tables the Bank of England routinely publishes, always convert them into a common currency. The numbers presented by Major, however, did not make this standard adjustment. And it was a good thing for his presentation that they didn't. As Brittan pointed out, European labor costs have not risen in relative terms when the exchange rate adjustment is made.

If anything, this lapse is even odder than those of Thurow or Mag-

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aziner and Reich. How could John Major, with the sophisticated statistical resources of the U.K. Treasury behind him, present an analysis that failed to make the most standard of adjustments?

These examples of strangely careless arithmetic, chosen from among dozens of similar cases, by people who surely had both the cleverness and the resources to get it right, cry out for an explanation. The best working hypothesis is that in each case the author or speaker wanted to believe in the competitive hypothesis so much that he felt no urge to question it; if data were used at all, it was only to lend credibility to a predetermined belief, not to test it. But why are people apparently so anxious to define economic problems as issues of international competition?

THE THRILL OF COMPETITION

THE COMPETITIVE metaphor—the image of countries competing with each other in world markets in the same way that corporations do—derives much of its attractiveness from its seeming comprehensibility. Tell a group of businessmen that a country is like a corporation writ large, and you give them the comfort of feeling that they already understand the basics. Try to tell them about economic concepts like comparative advantage, and you are asking them to learn something new. It should not be surprising if many prefer a doctrine that offers the gain of apparent sophistication without the pain of hard thinking. The rhetoric of competitiveness has become so widespread, however, for three deeper reasons.

First, competitive images are exciting, and thrills sell tickets. The subtitle of Lester Thurow's huge best-seller, *Head to Head,* is "The Coming Economic Battle among Japan, Europe, and America"; the jacket proclaims that "the decisive war of the century has begun . . . and America may already have decided to lose." Suppose that the subtitle had described the real situation: "The coming struggle in which each big economy will succeed or fail based on its own efforts, pretty much independently of how well the others do." Would Thurow have sold a tenth as many books?

Second, the idea that U.S. economic difficulties hinge crucially on

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our failures in international competition somewhat paradoxically makes those difficulties seem easier to solve. The productivity of the average American worker is determined by a complex array of factors, most of them unreachable by any likely government policy. So if you accept the reality that our "competitive" problem is really a domestic productivity problem pure and simple, you are unlikely to be optimistic about any dramatic turnaround. But if you can convince yourself that the problem is really one of failures in international competition—that imports are pushing workers out of high-wage jobs, or subsidized foreign competition is driving the United States out of the high value-added sectors—then the answers to economic malaise may seem to you to involve simple things like subsidizing high technology and being tough on Japan.

Finally, many of the world's leaders have found the competitive metaphor extremely useful as a political device. The rhetoric of competitiveness turns out to provide a good way either to justify hard choices or to avoid them. The example of Delors in Copenhagen shows the usefulness of competitive metaphors as an evasion. Delors had to say something at the EC summit; yet to say anything that addressed the real roots of European unemployment would have involved huge political risks. By turning the discussion to essentially irrelevant but plausible-sounding questions of competitiveness, he bought himself some time to come up with a better answer (which to some extent he provided in December's white paper on the European economy—a paper that still, however, retained "competitiveness" in its title).

By contrast, the well-received presentation of Bill Clinton's initial economic program in February 1993 showed the usefulness of competitive rhetoric as a motivation for tough policies. Clinton proposed a set of painful spending cuts and tax increases to reduce the Federal deficit. Why? The real reasons for cutting the deficit are disappointingly undramatic: the deficit siphons off funds that might otherwise have been productively invested, and thereby exerts a steady if small drag on U.S. economic growth. But Clinton was able instead to offer a stirring patriotic appeal, calling on the nation to act now in order to make the economy competitive in the global market—with the implication that dire economic consequences would follow if the United States does not.

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Many people who know that "competitiveness" is a largely meaningless concept have been willing to indulge competitive rhetoric precisely because they believe they can harness it in the service of good policies. An overblown fear of the Soviet Union was used in the 1950s to justify the building of the interstate highway system and the expansion of math and science education. Cannot the unjustified fears about foreign competition similarly be turned to good, used to justify serious efforts to reduce the budget deficit, rebuild infrastructure, and so on?

A few years ago this was a reasonable hope. At this point, however, the obsession with competitiveness has reached the point where it has already begun dangerously to distort economic policies.

THE DANGERS OF OBSESSION

THINKING AND SPEAKING in terms of competitiveness poses three real dangers. First, it could result in the wasteful spending of government money supposedly to enhance U.S. competitiveness. Second, it could lead to protectionism and trade wars. Finally, and most important, it could result in bad public policy on a spectrum of important issues.

During the 1950s, fear of the Soviet Union induced the U.S. goverment to spend money on useful things like highways and science education. It also, however, led to considerable spending on more doubtful items like bomb shelters. The most obvious if least worrisome danger of the growing obsession with competitiveness is that it might lead to a similar misallocation of resources. To take an example, recent guidelines for government research funding have stressed the importance of supporting research that can improve U.S. international competitiveness. This exerts at least some bias toward inventions that can help manufacturing firms, which generally compete on international markets, rather than service producers, which generally do not. Yet most of our employment and value-added is now in services, and lagging productivity in services rather than manufactures has been the single most important factor in the stagnation of U.S. living standards.

A much more serious risk is that the obsession with competitiveness will lead to trade conflict, perhaps even to a world trade war.

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Most of those who have preached the doctrine of competitiveness have not been old-fashioned protectionists. They want their countries to win the global trade game, not drop out. But what if, despite its best efforts, a country does not seem to be winning, or lacks confidence that it can? Then the competitive diagnosis inevitably suggests that to close the borders is better than to risk having foreigners take away high-wage jobs and high-value sectors. At the very least, the focus on the supposedly competitive nature of international economic relations greases the rails for those who want confrontational if not frankly protectionist policies.

We can already see this process at work, in both the United States and Europe. In the United States, it was remarkable how quickly the sophisticated interventionist arguments advanced by Laura Tyson in her published work gave way to the simple-minded claim by U.S. Trade Representative Mickey Kantor that Japan's bilateral trade surplus was costing the United States millions of jobs. And the trade rhetoric of President Clinton, who stresses the supposed creation of high-wage jobs rather than the gains from specialization, left his administration in a weak position when it tried to argue with the claims of NAFTA foes that competition from cheap Mexican labor will destroy the U.S. manufacturing base.

Perhaps the most serious risk from the obsession with competitiveness, however, is its subtle indirect effect on the quality of economic discussion and policymaking. If top government officials are strongly committed to a particular economic doctrine, their commitment inevitably sets the tone for policy-making on all issues, even those which may seem to have nothing to do with that doctrine. And if an economic doctrine is flatly, completely and demonstrably wrong, the insistence that discussion adhere to that doctrine inevitably blurs the focus and diminishes the quality of policy discussion across a broad range of issues, including some that are very far from trade policy per se.

Consider, for example, the issue of health care reform, undoubtedly the most important economic initiative of the Clinton administration, almost surely an order of magnitude more important to U.S. living standards than anything that might be done about trade

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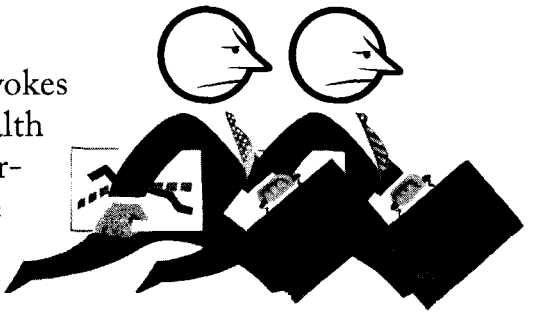
policy (unless the United States provokes a full-blown trade war). Since health care is an issue with few direct international linkages, one might have expected it to be largely insulated from any distortions of policy resulting from misguided concerns about competitiveness.



Competitiveness risks distorting the quality of domestic economic policy.

But the administration placed the development of the health care plan in the hands of Ira Magaziner, the same Magaziner who so conspicuously failed to do his homework in arguing for government promotion of high value-added industries. Magaziner's prior writings and consulting on economic policy focused almost entirely on the issue of international competition, his views on which may be summarized by the title of his 1990 book, *The Silent War.* His appointment reflected many factors, of course, not least his long personal friendship with the first couple. Still, it was not irrelevant that in an administration committed to the ideology of competitiveness Magaziner, who has consistently recommended that national industrial policies be based on the corporate strategy concepts he learned during his years at the Boston Consulting Group, was regarded as an economic policy expert.

We might also note the unusual process by which the health care reform was developed. In spite of the huge size of the task force, recognized experts in the health care field were almost completely absent, notably though not exclusively economists specializing in health care, including economists with impeccable liberal credentials like Henry Aaron of the Brookings Institution. Again, this may have reflected a number of factors, but it is probably not irrelevant that anyone who, like Magaziner, is strongly committed to the ideology of competitiveness is bound to have found professional economists notably unsympathetic in the past—and to be unwilling to deal with them on any other issue.

To make a harsh but not entirely unjustified analogy, a government wedded to the ideology of competitiveness is as unlikely to make good economic policy as a government committed to creationism is to

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make good science policy, even in areas that have no direct relationship to the theory of evolution.

ADVISERS WITH NO CLOTHES

IF THE OBSESSION with competitiveness is as misguided and damaging as this article claims, why aren't more voices saying so? The answer is, a mixture of hope and fear.

On the side of hope, many sensible people have imagined that they can appropriate the rhetoric of competitiveness on behalf of desirable economic policies. Suppose that you believe that the United States needs to raise its savings rate and improve its educational system in order to raise its productivity. Even if you know that the benefits of higher productivity have nothing to do with international competition, why not describe this as a policy to enhance competitiveness if you think that it can widen your audience? It's tempting to pander to popular prejudices on behalf of a good cause, and I have myself succumbed to that temptation.

As for fear, it takes either a very courageous or very reckless economist to say publicly that a doctrine that many, perhaps most, of the world's opinion leaders have embraced is flatly wrong. The insult is all the greater when many of those men and women think that by using the rhetoric of competitiveness they are demonstrating their sophistication about economics. This article may influence people, but it will not make many friends.

Unfortunately, those economists who have hoped to appropriate the rhetoric of competitiveness for good economic policies have instead had their own credibility appropriated on behalf of bad ideas. And somebody has to point out when the emperor's intellectual wardrobe isn't all he thinks it is.

So let's start telling the truth: competitiveness is a meaningless word when applied to national economies. And the obsession with competitiveness is both wrong and dangerous.

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Debate

Confronting Backlash States

Anthony Lake

A GROUP OF OUTLAWS

THE END of the Cold War and the emergence of newly independent states in eastern Europe have the potential to enlarge dramatically the family of nations now committed to the pursuit of democratic institutions, the expansion of free markets, the peaceful settlement of conflict and the promotion of collective security. For the sake of both its interests and its ideals, the United States has a special responsibility to nurture and promote these core values. As the president made clear in his State of the Union address, much of the Clinton Administration's foreign policy is devoted to that effort.

At the same time, our policy must face the reality of recalcitrant and outlaw states that not only choose to remain outside the family but also assault its basic values. There are few "backlash" states: Cuba, North Korea, Iran, Iraq and Libya. For now they lack the resources of a superpower, which would enable them to seriously threaten the democratic order being created around them. Nevertheless, their behavior is often aggressive and defiant. The ties between them are growing as they seek to thwart or quarantine themselves from a global trend to which they seem incapable of adapting.

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These backlash states have some common characteristics. Ruled by cliques that control power through coercion, they suppress basic human rights and promote radical ideologies. While their political systems vary, their leaders share a common antipathy toward popular participation that might undermine the existing regimes. These nations exhibit a chronic inability to engage constructively with the outside world, and they do not function effectively in alliances—even with those like-minded. They are often on the defensive, increasingly criticized and targeted with sanctions in international forums.

Finally, they share a siege mentality. Accordingly, they are embarked on ambitious and costly military programs—especially in weapons of mass destruction (WMD) and missile delivery systems—in a misguided quest for a great equalizer to protect their regimes or advance their purposes abroad.

As the sole superpower, the United States has a special responsibility for developing a strategy to neutralize, contain and, through selective pressure, perhaps eventually transform these backlash states into constructive members of the international community. Each backlash state is unique in its history, culture and circumstances, and U.S. strategy has been tailored accordingly. But there are common denominators. In each case, we maintain alliances and deploy military capabilities sufficient to deter or respond to any aggressive act. We seek to contain the influence of these states, sometimes by isolation, sometimes through pressure, sometimes by diplomatic and economic measures. We encourage the rest of the international community to join us in a concerted effort. In the cases of Iraq and Libya, for example, we have already achieved a strong international consensus backed by U.N. resolutions.

The United States is also actively engaged in unilateral and multilateral efforts to restrict their military and technological capabilities. Intelligence, counterterrorism and multilateral export control policies, especially on weapons of mass destruction and their delivery systems, are all being employed. In the North Korean case, for example, its nuclear program is our most urgent concern. The prospect of a nuclear-armed North Korea poses extraordinary risks to our security interests in Asia and the integrity of the global nonproliferation

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AP/WIDE WORLD PHOTOS

A defiant bunch

regime. The U.S. military commitment to the security of South Korea is unshakable. America is leading an international effort to persuade North Korea to reverse course. At the same time, we have made it clear to Pyongyang that if it resolves international concerns over its nuclear program, doors will open to better relations. If it does not, however, North Korea will face increased isolation and hardship.

Like North Korea, Iraq and Iran pose serious challenges to our nonproliferation efforts. But because they are located adjacent to each other along the littoral of the vital Persian Gulf, where 65 percent of the world's oil reserves are located, these two backlash states also present a complex strategic puzzle that has confounded the policies of three previous American administrations.

The basic strategic principle in the Persian Gulf region is to establish a favorable balance of power, one that will protect critical American interests in the security of our friends and in the free flow of oil

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at stable prices. In previous administrations, this was pursued by relying on one regional power to balance the other. First the United States built up Iran under the shah as a supposed regional pillar of stability. Then it backed Saddam Hussein's Iraq in its war with revolutionary Iran to contain the influence of Khomeini's Islamic government. Both approaches proved disastrous. In the shah's case, the U.S. strategy for regional stability collapsed when he was overthrown. And in Saddam Hussein's case, American backing assisted him in acquiring a massive conventional arsenal which he used, first against his own people and then later Kuwait.

THE LOGIC OF DUAL CONTAINMENT

THE CLINTON administration's strategy toward these two backlash states begins from the premise that today both regimes pursue policies hostile to our interests. Building up one to counter the other is therefore rejected in favor of a policy of "dual containment." In adopting this approach, we are not oblivious to the need for a balance of power in this vital region. Rather, we seek with our regional allies to maintain a favorable balance without depending on either Iraq or Iran. We are able to do so because we have a number of advantages that previous administrations did not.

First, the end of the Cold War simply eliminated a major strategic consideration from our calculus. We no longer have to fear Soviet efforts to gain a foothold in the Persian Gulf by taking advantage of our support for one of these states to build relations with the other. The strategic importance of both Iraq and Iran has therefore been reduced dramatically, and their ability to play the superpowers off each other has been eliminated.

Second, over the last decade, a regional balance of power between Iran and Iraq has been established at a much lower level of military capability. Iraq's victory in the Iran-Iraq War substantially reduced Iran's conventional offensive capabilities. And Iraq's defeat in Desert Storm significantly diminished its offensive capabilities and brought its weapons of mass destruction under tight control. Without the backing of an alternate superpower, they now confront serious difficulties in challenging U.S. power.

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Third, as a result of Iraq's invasion of Kuwait, the Gulf Cooperation Council (GCC) states are less reluctant to enter into security and pre-positioning arrangements with Washington. These arrangements provide our military forces with an ability to deploy in the Persian Gulf against any threat that either Iraq or Iran might pose to these states.

Finally, broader trends in the region are positive. Washington enjoys strong relations with the region's other critical powers: Egypt, Israel, Turkey and Saudi Arabia. Progress in resolving the Arab-Israeli conflict solidifies our position in the Arab world and strengthens the ties between our regional allies. It increases the isolation of Iraq and Iran while reducing their ability to exploit the Arab-Israeli conflict to promote their regional ambitions. The comprehensive settlement that the United States seeks will cost Iraq the opportunity to manipulate the Palestinian cause and rob Iran of its ability to promote turmoil in Lebanon.

In sum, until circumstances change there is no longer a need to depend on either Iraq or Iran to maintain a favorable balance and protect U.S. friends and interests in the gulf. The Clinton administration is, nevertheless, confident that we can sustain this situation for some time, in large measure because we have an understanding with our regional friends about the common threats and how to deal with them. While working to consolidate these positive trends, we remain alert to the possibility of change.

Iraq is a case of modern, secular avarice; Iran is a theocracy with an abiding antagonism toward the United States.

"Dual containment" does not mean duplicate containment. The basic purpose is to counter the hostility of both Baghdad and Tehran, but the challenges posed by the two regimes are distinct and therefore require tailored approaches. Although neighbors, the two states are quite different in culture and historical experience. In Saddam Hussein's regime, Washington faces an aggressive, modernist, secular avarice; in Iran, it is challenged by a theocratic regime with a sense of cultural and political destiny and an abiding antagonism toward the United States.

In Iraq, the regime is responsible for both war crimes and crimes

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against humanity, a regime whose invasion of Kuwait and gassing of its own people have rendered it an international renegade. In post-Khomeini Iran, a revolutionary regime remains engaged in outlaw behavior. Nevertheless, the Clinton administration does not oppose Islamic government, nor does it seek the regime's overthrow. Indeed we remain ready for an authoritative dialogue in which we will raise aspects of Iranian behavior that cause us so much concern.

Containing Iraq presents a different kind of challenge than containing Iran. After the Gulf War, the United Nations established a far-reaching regime to ensure that Iraq never again threatens its neighbors or world peace and to deter Saddam Hussein's aggression against Iraqi citizens. Three years after the invasion of Kuwait, sanctions are still being sustained. The international community is sufficiently alarmed by Saddam's behavior and sufficiently suspicious of his intentions to support Washington's insistence on full compliance with all relevant U.N. Security Council (UNSC) resolutions.

Even today, Saddam's army is engaged in the systematic destruction of the marsh Arab society in southern Iraq while he wages a campaign of terror and blockades against Kurdish, Turkoman and other citizens of northern Iraq. As the Iraqi regime cooperates with the U.N. Special Commission on Iraq (UNSCOM), it is also engaged in clandestine efforts to acquire rocket fuel precursors while failing to give a full accounting of its weapons programs. Thus, it is hardly surprising that every 60 days the sanctions have been extended with little debate.

Lately, Iraq has shown some signs of altering its attitude toward some U.N. requirements, evidenced by its recent acceptance of Security Council Resolution 715, which provides for long-term monitoring of its WMD programs. However, this acceptance comes in the context of continued Iraqi rejection of other Security Council resolutions, especially its refusal to recognize Kuwait's sovereignty and borders. Defiance is thus combined with a guise of compliance. There is plenty of evidence to suggest that the only reason the Iraqi regime is beginning to cooperate with UNSCOM is to secure the lifting of oil sanctions. Once the oil starts flowing again, Washington must assume that Saddam will renege on long-term monitoring and begin rebuilding his WMD programs. Thus, before considering whether oil

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sanctions are to be lifted, there should be a high degree of confidence that Iraq has not only complied fully with the technical requirements of the WMD provisions but will continue to comply indefinitely. As UNSCOM chairman Rolf Ekeus has insisted, that will require a long period of testing of the permanent monitoring systems. This proposition has been accepted by Washington and its U.N. Security Council (UNSC) partners. They also recognize that the council's review of the sanctions regime will be influenced by Saddam's broader intentions, of which there is ample evidence.

The U.N. resolutions also reflect the international consensus in support of an end to Saddam's repression of the Iraqi people. Working closely with U.N. agencies and international human rights organizations, we are calling attention to the plight of Iraqi citizens who have been brutalized by this regime and insist on having human rights monitors inside the country. The Clinton administration is also engaged directly in humanitarian aid for the Kurds and other groups in northern Iraq as they reconstruct their lives and homes under the protection of coalition forces that deter Saddam's brutality.

The humanitarian efforts of the international community in Iraq are a strong indication of its concern for the plight of the Iraqi people. It is also conscious of the impact of sanctions on their daily lives. Security Council Resolutions 706 and 712—which Saddam refuses to implement—were specifically introduced to alleviate their plight. They would permit Iraq to sell limited quantities of oil to finance the purchase of food and other humanitarian items, provided that the sale and distribution of goods is monitored by the U.N. It should therefore be clear that Saddam Hussein, not the international community, is responsible for their continued suffering.

As a signal of our interest in a democratic Iraq, the Clinton administration also supports the objectives of the Iraqi National Congress, the exile organization that represents a broad spectrum of religious, secular and ethnic communities. The INC has recently broadened its base, established facilities in northern Iraq and deepened its ties with neighboring Arab governments that share the twin goals of maintaining Iraq's territorial integrity while promoting representative and benign governance in Baghdad.

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Despite Saddam's efforts to buy loyalties, sanctions are taking their toll on the crucial inner circle on which the regime depends. There are now frequent reports of coup attempts and unrest among the relatively privileged Iraqi elite. These trends could lead to new conditions for the citizens of Iraq and new opportunities to build a more peaceful and normal relationship between Iraq and the outside world.

THE CHALLENGE FROM TEHRAN

IRAN IS BOTH a lesser and a greater challenge. On the one hand, the Clinton administration is not confronting a blatantly aggressive state that invaded and occupied a weaker neighbor. More normal relations with the government in Tehran are conceivable, once it demonstrates its willingness to abide by international norms and abandon policies and actions inimical to regional peace and security. On the other hand, political differences with Iran will not easily be resolved. Iran is a revolutionary state whose leaders harbor a deep sense of grievance over the close ties between the United States and the shah. Its revolutionary and militant messages are openly hostile to the United States and its core interests. This basic political reality will shape relations for the foreseeable future. Reconciliation will be difficult, but the choice is Iran's to make.

The United States does not oppose Islam; it opposes extremism, religious or secular.

The American quarrel with Iran should not be misconstrued as a "clash of civilizations" or opposition to Iran as a theocratic state. Washington does not take issue with the "Islamic" dimension of the Islamic Republic of Iran. As President Clinton has said, America has a deep respect for the religion and culture of Islam. It is extremism, whether religious or secular, that we oppose. The United States is concerned with the actions and policies of the Tehran government. Iran is actively engaged in clandestine efforts to acquire nuclear and other unconventional weapons and long-range missile-delivery systems. It is the foremost sponsor of terrorism and assassination worldwide. It is violently and vitriolically opposed to the Arab-Israeli peace process. It seeks to subvert friendly governments across

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the Middle East and in parts of Africa. It is attempting to acquire offensive conventional capabilities to threaten its smaller gulf neighbors. Its record on treatment of its own citizens—especially women and religious minorities—is deeply disturbing.

In confronting these manifold challenges, the Clinton administration faces an easier task than in the case of Iraq because Iran's weapons of mass destruction are at a relatively early stage of development. In that sense it has an opportunity now to prevent Iran from becoming in five years time what Iraq was five years ago. But containment is also more difficult because the administration is not backed by an international consensus reflected in UNSC resolutions, as in Iraq's case. And it does not have broad sanctions in place to effect changes in Iran's unacceptable behavior. Previous administrations have tried their hands at building up "moderates" in Iran. What we have learned from that experience is that these same "moderates" are responsible for the very policies we find so objectionable. However, Iran's economic mismanagement has combined with the downturn in the oil market to produce a desperate economic situation for the Iranian government. With 30 percent inflation, a $30 billion debt and $5 billion in arrears on its short-term repayments, Iran no longer looks like a good commercial proposition. This makes it easier to argue with U.S. allies against improving ties with Iran for purely commercial motives.

To counter Iran's quest for domination of the Persian Gulf, Washington works closely with friendly governments to prevent Iran from procuring needed imports for its nuclear and chemical programs, and is vigilant about the transfer of missiles and missile-related systems from Iran's current suppliers, including North Korea. This does not mean Washington intends to quarantine Iran or deny it all military-related goods. This administration tries to distinguish between defense items that do not affect the regional security environment and those items that have an offensive use and could destabilize the area.

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NOT A CRUSADE BUT A COMMITMENT

THE U.S. STRATEGY depends heavily on active coordination and consultations with friendly countries. Iran needs to hear a steady and consistent message from the Western countries whose approval and trade it seeks. We have achieved some consensus among the European Union, Canada and Japan on those aspects of Iran's actions that we find unacceptable. Some of our allies believe, however, that the regional policy must rely largely on positive incentives for Iran. The record clearly shows, however, that positive inducements such as trade and aid concessions or rescheduling of loans do not lead to real changes in Iran's unacceptable behavior. The most effective message is a consistent one: no normal relations until these actions end. But we do not eschew an authoritative dialogue; dialogue and pressure are not mutually exclusive policy approaches.

There are some risks inherent in the coupling of our approaches to Iraq and Iran. To the extent they are pressured, they may be driven together in their efforts to resist the West. Indeed, Baghdad and Tehran seem to have engaged in limited cooperation over the past year, despite their differences. Ultimately, however, the prospects for reconciliation will remain limited for a simple reason: they mistrust each other more than they mistrust the United States. While they have a common interest in tactical cooperation, neither has a real interest in helping the other grow stronger; each knows that it will be the first target of a resurgent state on the other side of the Shatt-al-Arab.

There is also the danger that in maintaining our efforts to force Iraq to comply with all U.N. resolutions, we will provide opportunities for Iran to meddle and prey on Iraqi weakness. Again, we have seen efforts by Iran to build its relations with Iraq's Shiites and meddle in Kurdish politics. But the evidence suggests this fear is exaggerated. From the time of the Iran-Iraq war, Iraq's Shiites have retained their Iraqi and Arab identity and remain wary of falling under Iran's influence. Similarly, Iran's efforts in the north seem focused on weakening its own separatist Kurdish minority rather than seeking to weaken Iraq by promoting the breakaway of the north. Indeed, like Iraq's other neighbors, Syria and Turkey, Iran

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seems concerned to avoid the disintegration of Iraq for fear that it will encourage the disintegration of its own hinterland.

The Clinton Administration has forged a realistic and sustainable policy that takes into account U.S. interests and the realities of the Persian Gulf region. Today the regimes in Baghdad and Tehran are weaker and increasingly on the defensive. Slowly but surely they are coming to understand that there is a price to pay for their recalcitrant commitment to remain on the wrong side of history. This is not a crusade, but a genuine and responsible effort, over time, to protect American strategic interests, stabilize the international system and enlarge the community of nations committed to democracy, free markets and peace.

Forty-seven years ago, George Kennan, writing under a pseudonym in this journal, made the case for containment of an outlaw empire. He argued that the United States had within its power the means to "to increase enormously the strains under which Soviet policy must operate" and thereby generate the "break-up or gradual mellowing of Soviet power." Today, the United States faces a less formidable challenge in containing the band of outlaws we refer to as "the backlash states." It is still very much within our power to prevail.

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The Illogic of Dual Containment

F. Gregory Gause III

CLEAR POLICY, FAULTY PREMISE

IF THERE IS ONE PART OF THE WORLD where the Clinton administration cannot be accused of lacking a clear foreign policy, it is the Persian Gulf. The administration has identified both Iraq and Iran as significant threats to America's interests in the region. It has developed a policy, known as "dual containment," to deal with those threats by isolating both countries regionally, cutting them off from the world economic and trading system, and encouraging a regime change in Iraq. It has strongly supported the continuation of U.N. sanctions against Iraq, made efforts to persuade Europe, Russia and Japan to deny Iran access to international capital and arms markets, and continued American military commitments to Saudi Arabia and the smaller monarchies that form the Gulf Cooperation Council (GCC).

In the case of the Persian Gulf, however, such clarity is not a virtue. The dual containment policy is shot through with logical flaws and practical inconsistencies and is based on faulty geopolitical premises. It is hard to see how either Iraq or Iran could be contained, in the

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administration's sense, without the cooperation of its hostile counterpart. American allies in the region and elsewhere have shown no enthusiasm for dual containment, making its implementation highly problematic. Dual containment offers no guidelines for dealing with change in the gulf, and it ties American policy to an inherently unstable regional status quo. Worse yet, it assigns to the United States a unilateral role in managing gulf security issues at a time when the American capacity to influence events in Iran and Iraq is at best limited. The policy could end up encouraging the very results—regional conflict and increased Iranian power—that the United States seeks to prevent.

AWAY FROM THE BALANCING GAME

ON MAY 18, 1993, MARTIN INDYK, the special assistant to the President for Near East and South Asian affairs at the National Security Council, outlined the dual containment policy in a speech to the Washington Institute for Near East Policy. He said that the United States would no longer play the game of balancing Iran against Iraq. The strength of the United States and its friends in the region—Egypt, Israel, Saudi Arabia, Turkey and the GCC—would allow Washington to "counter both the Iraqi and Iranian regimes. We will not need to depend on one to counter the other."

Indyk stated that the administration's goal in Iraq is "to establish clearly and unequivocally that the current regime in Iraq is a criminal regime, beyond the pale of international society and, in our judgment, irredeemable." While reiterating the U.S. commitment to the territorial integrity of Iraq, he left little doubt that a regime change in Baghdad is the ultimate goal of American policy.

Indyk warned, however, that an exclusive focus on the Iraqi threat to American interests could lead to dangerous consequences if "the balance of power in the gulf [tilts] in favor of Iran." The "containment" of Iran, not buttressed by U.N. resolutions, is trickier than that of Iraq. Indyk stated that the U.S. recognizes that such containment must be multilateral. Toward that end Washington will work "energetically" to persuade other countries not to engage in military transactions or "normal commercial relations" with Tehran, because "Iran is a bad invest-

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ment in both commercial and strategic terms for all responsible members of the international community." Indyk referred to a "five-part challenge" that Iran poses to the United States and the international community: its support for "terrorism and assassination across the globe"; its opposition to the Arab-Israeli peace process, expressed in its support for groups such as Hezbollah and Hamas; its efforts to subvert friendly Arab governments; its military buildup aimed at dominating the gulf region; and its quest to acquire weapons of mass destruction.[1]

A PUZZLING DEPARTURE FROM THE PAST

AMERICA'S INTEREST IN THE GULF remains appropriately unchanged with the end of the Cold War: guaranteeing the uninterrupted flow of oil to the world market at prices that do not damage the economies of the United States and its allies in the advanced industrialized world. What has changed is the perception of where the threats to that interest lie, and how the United States should respond.

It was the risk of increased Soviet influence in the area that prompted the initial American commitments to Iran after World War II and the covert American involvement in the 1952 coup that overthrew the Iranian government of Mohammad Mossadegh. An American air base was maintained in Dhahran, Saudi Arabia, from World War II until 1962 as part of the global strategy of containment of the Soviet Union. As recently as 1987, with the Cold War thawing, the prospect of an increased Soviet role in the gulf led the Reagan administration to provide naval protection to Kuwaiti and Saudi tankers during the last years of the Iran-Iraq War.

The irony of this focus on the Soviet threat to the gulf is that the three most damaging events to American oil interests arose from local circumstances in which Moscow had little, if any, role. The quadrupling of oil prices in 1973-74 was caused by Saudi Arabia's production cuts and embargo against the United States during the 1973 Arab-Israeli war at a time when the world supply of oil was closely matched

[1] The Washington Institute for Near East Policy, "Special Report: Clinton Administration Policy toward the Middle East," *PolicyWatch*, May 21, 1993.

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to world demand. The doubling of oil prices in 1979-81 was the result of the disruption to Iranian production caused by the revolution, again in a situation where world supply of and demand for oil were delicately balanced. Saddam Hussein was hardly acting as a Soviet proxy when he invaded Kuwait. Dual containment does at least direct our attention to the region itself, not to a putative outside threat.

Dual containment is also the culmination of a trend toward an increasingly direct American strategic role in the gulf. While America's longest and most economically important relationship in the area has been with Saudi Arabia, Iran was the key to American strategic views of the gulf until the 1979 Iranian Revolution. It was central to the regional containment of Soviet influence. When Great Britain gave up its formal defense commitments to the smaller gulf states in 1971, Washington encouraged the shah of Iran to assume the role of regional policeman.

The Carter Doctrine in 1980 formally committed the United States to preventing any "hostile power" from dominating the area. Three nearly contemporaneous events—the Iranian Revolution, the Soviet invasion of Afghanistan, and the doubling of world oil prices between 1979 and 1981—led the United States to take a more direct role in the gulf. American military involvement in the region accelerated, from the failed hostage rescue mission of 1980 to the large naval deployment in 1987-88 to protect Kuwaiti and Saudi shipping, culminating in Desert Storm.

But even as the American military role in the gulf became more direct, the Reagan and Bush administrations continued to see Iran and Iraq as the key strategic players. As the tide of battle in the Iran-Iraq war turned against Baghdad, Washington moved to bolster Saddam Hussein's regime as a counterweight to the Islamic Republic. After that war the Bush administration continued to see Iraq as an important check on Iranian power. Meanwhile, some Washington officials in the 1980s held out the hope of better relations with Iran. Such thinking helped spur the Iran-contra affair and led to President Bush's message to Iran, in his 1989 inaugural address, that "goodwill begets goodwill."

Dual containment incorporates a number of elements from previous American policies. It is aimed at preventing any power from sup-

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planting the United States as the dominant force in the gulf. It is focused on protecting Saudi Arabia and the smaller gulf monarchies from outside threats. However, in its strategic logic the policy represents a significant departure in Washington's approach to the gulf. Dual containment explicitly disavows the need for any kind of political relationship with Iran or Iraq and rejects the idea that a rough military equivalence between them is an important element of gulf stability. It assumes for the United States a much larger, unilateral role in managing gulf affairs than any previous administration has envisaged at a time that American influence over the two most important strategic actors in the gulf is practically nil.

THE TRAGIC FLAW

THE MAJOR LOGICAL FLAW in dual containment is the contention that Iran and Iraq can be contained simultaneously. Containment of Iran requires a relatively strong and unified Iraq on its long western border. Otherwise, Iraq becomes an ideal area for Iran to try to break out of its regional isolation. Iran has close political ties to the Shiite majority in Iraq, a historical interest in the Shia holy cities in Iraq, and past relationships with Iraqi Kurdish groups. A weak Iraq is an inviting target for an Iran "contained" and isolated.

Conversely, the containment of Iraq—the goal of which is a regime change without a bloody and destabilizing civil war—is hard to imagine without some kind of Iranian cooperation. While Saddam is in power, Iran is an important element in keeping the pressure on his regime. Economic sanctions on Iraq would lose some of their effectiveness if Iran were not a party to them. Dual containment, however, pushes Saddam and Tehran closer together despite their history of hostility. Tentative political contacts between the two states have recently been renewed.

If Saddam should fall, Iran would become a key player in the future of Iraq. With its military resources and its relationship with Iraqi Shiite opposition groups like the Supreme Assembly of the Islamic Revolution in Iraq and al-Da'wah, Iran could play a very destabilizing role in a post-Saddam Iraq if it felt that its interests were being ignored or that a new

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Iraqi regime was being constructed by the United States as a means to intensify Iran's isolation. While the idea of containing both Iraq and Iran has a facile geopolitical appeal, it is fraught with difficulties.

Dual containment requires the unlikely cooperation of a number of other nations. Two of America's closest allies in the region, Egypt and Turkey, are already calling for an easing of sanctions on Iraq. For the GCC states in the lower gulf, there is a geopolitical imperative to prevent Iraq's disintegration, which would lead to greater Iranian and Saudi power in the region. Officials in Oman, Qatar and Bahrain have spoken about the need to bring Iraq back into Arab political circles.

The flaw in dual containment is the contention that Iran and Iraq can be contained simultaneously.

Meanwhile, Europe and Japan have been unwilling to isolate Iran economically, which would mean forgoing a market whose imports from Europe were over $10 billion and from Japan over $2.5 billion in 1992. A number of these allied governments make the case that an economic quarantine of Iran would play into the hands of factions in Tehran that support terrorist activities and export of the Islamic revolution abroad. Moreover, commercial interests in the United States want to do business with Iran. Boeing wants to sell aircraft to Iran's national airline; American oil companies continue to buy Iranian oil. Even the GCC states, whose security is a major goal of the dual containment policy, regard isolating Iran as a mistaken approach. Kuwait and Saudi Arabia, still threatened by Saddam's regime in Baghdad, have reopened diplomatic channels to Iran. For them, Tehran acted responsibly during the Persian Gulf War and has shown a willingness to abandon its revolutionary quest to destabilize the gulf monarchies. The activities of Iranian-supported opposition groups in a number of the GCC states have declined markedly, and the intensely hostile propaganda war between Iran and Saudi Arabia that characterized the 1980s has abated.

Dual containment places a substantial political burden on the gulf monarchies. As Iran and Iraq rebuild their militaries, the deterrent aspect of the policy requires a continued, perhaps expanding, Amer-

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ican military presence in the gulf. Saudi Arabia and its GCC partners would have to host such a presence, raising the level of hostility between them and both Tehran and Baghdad. The higher the American military profile in these countries, the greater the risk that it would become a lightning rod for domestic discontent, as has happened many times in past decades in the Middle East. The lack of enthusiasm for dual containment was summed up by the secretary general of the GCC, who said in a recent interview, "What interests us is that this policy not reflect on our situation, and that our states not be affected by it."[2]

DEALING WITH A CHANGE IN IRAQ

THE MOST SERIOUS FLAW in the dual containment policy is its unstated assumption that the regional status quo in the gulf can be maintained over the coming years, and that any changes there can be stage-managed by Washington. In fact, the current situation will inevitably change. To be blind to this reality is imprudent. The key in this regard is Iraq, whose internal situation is inherently unstable. The Kurdish areas in the northern part of the country are exercising de facto independence under the protection of the United States and other Western powers. Iraqi aircraft are denied access to the southern third of the country. A government that lives on oil revenues has not been able to export more than a marginal amount of oil for the past three-and-a-half years. Indications of unrest in circles close to power in Iraq continue to emerge, most recently a failed coup attempt in the summer of 1993 organized by political personalities from Saddam's hometown, Tikrit.

No one knows with any certainty what is going to happen in Iraq over the next few years. It is possible that the West will lose its resolve, lifting oil sanctions and allowing Saddam to reconsolidate his control over Kurdish areas, with all the bloodshed that would entail. Resumption of Iraqi oil exports is more likely (though by no means certain) since Iraq's recent acceptance of U.N. Security Coun-

[2] *Al-Hayat*, October 17, 1993, p. 5.

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cil Resolution 715 on long-term monitoring of Iraq's military. Such developments would mean the end of the "containment" of Iraq, as other actors would see in them a flagging American will to maintain Baghdad's international isolation. It is also possible that the Saddam regime in Baghdad will collapse and be replaced by a fragile military-party junta or a political vacuum in which a number of local groups and regional powers vie for influence.

This last scenario, a bloody struggle for power in Iraq that draws in other regional actors, is the worst-case scenario for American policy and the one dual containment is least able to address. America's favored Iraqi opposition group, the Iraqi National Congress, is headquartered in the Kurdish areas of northern Iraq and largely identified with the Iraqi Kurdish groups that are its core. Iraqi Shiite opposition groups have participated in some of the congress' meetings but maintain a wary relationship with it. The ability of the Iraqi National Congress to stabilize Iraq domestically and avoid the temptation to pursue dreams of Kurdish independence is questionable. Both Turkey and Iran would act directly to prevent the rump Kurdish state in northern Iraq from declaring independence. Syria, Saudi Arabia and Egypt would find local allies to support in an Iraqi struggle for power. The "containment" of Iran gives Tehran every incentive to intervene in Iraqi politics, using its ties to Iraqi Shiite groups, to break out of the isolation that Washington is attempting to impose. Iran would enjoy many advantages were a post-Saddam Iraq to become a contest for influence among regional powers. If the contest were between Iran and an American-backed group of regional allies, Iran would have an excellent chance of winning. Should Tehran succeed in installing a friendly regime in Baghdad, the correlation of forces in gulf regional politics would turn drastically against Saudi Arabia and the smaller gulf monarchies.

AN ALTERNATIVE APPROACH

THE PROBLEM WITH DUAL CONTAINMENT is that it fails to address, and in fact makes more likely, the worst possible outcome for American interests in the area—a collapse of the Iraqi domestic situ-

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ation into chaos that Iran can exploit. A more realistic approach would view the question of Iraq, the pivot around which the geopolitics of the gulf will turn, as an issue for regional consultation and, potentially, cooperation. To avoid this worst-case scenario the United States needs to build an understanding with all relevant parties—Iraqi and regional—about how a transition to a post-Saddam Iraq would work. Among those parties must be Iran and the Iraqi Shiite groups it supports. Iran has a number of interests in avoiding a clash over the future of Iraq, as long as its minimum security needs are met. It has every incentive, and substantial means, to foil American-supported initiatives on Iraq that it sees as directed against it.

A more realistic approach would view the question of Iraq as an issue for regional consultation.

A dialogue with Iran on the future of Iraq should aim at reassuring Tehran on a number of points: that the United States does not support the breakup of Iraq or Kurdish independence, that the United States does not seek to turn a post-Saddam Iraq into an American asset aimed at increasing Iran's isolation, that in a post-Saddam Iraq Shiites will be able to play a role commensurate with their historical and demographic weight in the country. The United States should also give up its counterproductive efforts to deny Iran access to regular economic relations with the rest of the world, a policy that only feeds Iranian paranoia about American intentions without materially affecting the Iranian economy. Saudi Arabia is already consulting with Iran on oil questions, an acknowledgment that the two share an interest in preventing any further decline in world oil prices (and in preventing a quick Iraqi return to the world oil market). The United States need only express its lack of opposition to such consultations.

In exchange for those assurances, Washington should expect Tehran to renounce any intentions of supporting the monopolization of political power in a post-Saddam Iraq by its own allies in the Iraqi opposition, to cooperate in efforts to bring about a stable regime transition in Baghdad, and to accept America's special strategic relationship with Saudi Arabia. An understanding on these issues could lead to discussions on other gulf issues, like the festering dispute between

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Iran and the United Arab Emirates over Abu Musa and the Tunbs islands, and on measures aimed at avoiding unnecessary frictions in the area, like prior notification of naval maneuvers. The alternative to a policy that recognizes the importance of regional players like Iran in managing gulf security issues is for the United States to assume this task unilaterally, a militarily costly and politically risky strategy in an area where Washington has little control over the political futures of allies or adversaries.

The arguments against dealing with Iran are serious but not irrefutable. Iran's conventional arms purchases are significant, but are dwarfed by those of America's allies in the area and can be seen as a reasonable effort to restore its military strength after nearly a decade of war and international isolation. Given its size, Iran will always be a major military power in the gulf. However, with Desert Storm fresh in Middle Eastern minds, the chances of Iranian military adventures against American's gulf allies are very low.

Given the effectiveness of the U.N.-supervised dismantling of the Iraqi nuclear program and Iraqi agreement on long-term monitoring of its military industry, it is difficult to see Iraq reviving its nuclear weapons program for quite a while. Iranian nuclear ambitions, however, are a special component of the gulf strategic picture. In December 1993 the International Atomic Energy Agency reported that there were no indications that Iran intended to use its nuclear facilities for military purposes. CIA Director James Woolsey has described Iran's nuclear program as "relatively embryonic." So a nuclear Iran does not seem imminent. The question is how best to keep it that way. Enforcement of international nonproliferation regulations is an important step, as is keeping a careful eye on elements in the former Soviet republics who are willing to provide nuclear material and expertise for hard currency. At the same time, efforts to isolate Iran economically and strategically will provide more impetus for those in Tehran who argue that a nuclear capacity is the only way to hold Iran's enemies at bay.

Iranian opposition to the Arab-Israeli peace process is raised as an impediment to any American-Iranian dialogue. That opposition is largely ineffectual. Iran's major card in this game is its relationship with the Lebanese Shiite group Hezbollah. Hezbollah's ability to play

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a disruptive role rests on Syrian sufferance, as Syria exercises effective control over most Lebanese territory. If the summit of President Clinton and Syrian President Hafiz al-Assad in January 1994 presages progress in Syrian-Israeli negotiations, Hezbollah's freedom of maneuver will in all likelihood be curtailed. Iranian opposition cannot derail the momentum in the peace process built up over the last months. If there are immediate American interests in the gulf that can be served by dialogue with Iran, the Arab-Israeli peace process will not suffer from it. The Salman Rushdie issue and attacks on Iranian dissidents abroad must be brought up in any dialogue with Tehran. However, the current policy of isolating Iran has neither helped Mr. Rushdie nor stopped the violence against prominent Iranian opposition figures. It is time for a new approach.

An effort to accommodate reasonable Iranian interests in the gulf should not be mistaken for an American tilt toward Tehran. We should not give or sell Iran arms. Our regular nuclear nonproliferation policies should be applied to Iran as they are to other states—no more and no less. Our military and political relationships with the GCC states should remain close. We should continue to combat Iranian efforts to derail the Arab-Israeli peace process by encouraging all the parties to that conflict to maintain the momentum established by the Palestinian-Israeli agreement of September 1993.

Any American strategy for the gulf entails risks. The United States has serious disagreements with Iran that cannot be ignored or papered over. However, Washington and Tehran do have some parallel interests in avoiding a destabilization of the gulf. When Henry Kissinger initiated the opening to China in 1971, Beijing was still considered a "revolutionary" power and was supporting a North Vietnamese government that killed American soldiers daily. Common interests led the two sides to agree to disagree on a number of points, and the relationship grew to encompass a range of issues. To this day the United States and China have serious differences, but conduct business in a productive way on matters of mutual interest. The Chinese example should serve as a model for American dealings with the Islamic Republic of Iran, and it represents a more effective and realistic way of furthering American interests in the region.

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The Premature Partnership

Zbigniew Brzezinski

AMERICA AND RUSSIA

FOR NEARLY 45 difficult years the United States pursued a remarkably consistent policy toward the Soviet Union. On the level of grand strategy, that policy was defined as containment of both Soviet geopolitical and ideological ambitions. The practical implementation of the policy of containment involved American geostrategic concentration on the defense of both the western and eastern peripheries of Eurasia, manifested by permanent troop deployments and defined by binding treaty commitments. The doctrine of deterrence, designed to neutralize any Soviet nuclear blackmail, reinforced this defensive posture.

Though the Cold War never escalated into direct American-Soviet warfare, on several occasions it did generate indirect military collisions. In the western extremity of Eurasia, American and Soviet forces twice confronted each other in Berlin, and in the east, U.S. troops were engaged in repelling the Soviet-supported invasion of South Korea, while the Soviet Union later provided Vietnam with the military wherewithal needed to expel the American armies. The closest the two sides ever came to a head-on collision occurred in Cuba because of the Soviet effort to leapfrog its strategic containment. Nevertheless, containment—which in turn made possible the vitally important integration into the Western camp of both Germany and Japan—relied heavily on the ingredient of power.

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The collapse of the Soviet Union and subsequent end of the Cold War necessitates a new strategy, one that no longer views Russia as an adversary and in which the factor of power is no longer central. But if Russia is no longer an adversary, is it already an ally, or a client or merely a defeated foe? What should be the goal and the substance of a post-Cold War grand strategy toward a major country, destined one way or another to be a power in world affairs, irrespective of its current malaise? Is current American policy toward Russia guided by a well-considered and historically relevant successor to the grand strategy of the Cold War years?

This essay argues that the present U.S. grand strategy is flawed in its assumptions, focused on the wrong strategic goal and dangerous in its likely geopolitical consequences.

A POLICY OF IDEALISTIC OPTIMISM

AFTER SEVERAL YEARS OF UNAVOIDABLE groping, during which Washington seemed to concentrate mainly on tactical help for two successively favored Kremlin leaders, under President Clinton a new U.S. grand strategy toward the former Soviet Union has finally crystallized. Ambitious in scope, characterized by internal consistency and driven by an attractive idealistic optimism, its essence can be summarized as follows: the goal of containment of Soviet expansion is to be replaced by a partnership with a democratic Russia. The strategy of partnership assigns the highest priority to aid for President Boris Yeltsin's government while at the same time reinforcing that government's self-esteem and confidence by emphasizing the special global responsibility that America and Russia share. It follows that as far as the former Soviet Union is concerned, the primary focus of U.S. policy is Russia.

The underlying and mutually reinforcing premises of this new grand strategy are that the prospects for the emergence of a stable and enduring Russian democracy, based on a free-market economy, are reasonably high; and that the foregoing makes a partnership with America feasible. In that context, all-out support for Boris Yeltsin as the genuinely democratic Russian leader is the logical tac-

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tical consequence, irrespective of occasional shortcomings in his performance as a democratic leader.

That support is to be projected in a deliberately optimistic fashion in order to stimulate American public backing for financial aid to Russia and also in order to generate badly needed confidence among the beleaguered Russian democrats. Thus, even in the face of textual evidence to the contrary, the new Russian constitution has been hailed by President Clinton as an example of constitutional democracy, while a massive antidemocratic vote by both right-wing and left-wing extremists (together accounting for almost half the ballots cast) was dismissed by the administration as a mere "protest vote" against the government's economic policies. During the January 1994 summit, Clinton repeatedly expressed his satisfaction with Russia's democratic progress.

A rosy assessment of the country's economic transformation is the logical corollary of that approach. Accordingly, much has been made by administration spokesmen of Russia's allegedly large-scale privatization, even though most of the major domestic industrial privatizations have involved essentially paper transfers of ownership to enterprise management, and sometimes also to its work force, with the central government's purchases and subsidies unaltered. Little attention has been paid to the fact that the emerging capitalist class in Russia is strikingly parasitic, inclined to stash its profits abroad rather than to bet on Russia's future, with Russian banks investing only about $450 million in domestic development while depositing some $15.5 billion abroad. The covert diversion of a significant portion of foreign financial aid to Western banks has similarly been ignored, since that consideration is viewed as less important than the key goal of sustaining the momentum of economic transformation.[1]

Moreover, support for the economic stabilization and eventual transformation of the Russian economy is being given a higher priority than aid to the new non-Russian states. In 1992 the head of the International Monetary Fund projected Russia's need for foreign financing

[1] For details, see *Financial Times*, Nov. 1, 1993, regarding Russian banking deposits, and Grigory Yavlinsky, "Western Aid Is No Help," *The New York Times*, July 28, 1993.

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at approximately $23 billion, and that of the non-Russian states at about $20 billion. At the July 1993 Group of Seven industrial nations summit, the United States prevailed in obtaining collective pledges of aid for Russia of $28 billion while largely ignoring the non-Russian states.

The doggedly optimistic political and economic assessments of Russia's prospects have also been deliberately disseminated in order to advance the pursuit of a more specific and admittedly important U.S. objective: Russian-American nuclear disarmament. A Russia-centered policy not only facilitates the reduction of the Russian nuclear arsenal but it may also increase Russia's own stake in nonproliferation. That goal also justifies working closely with Moscow in applying joint pressure on the new post-Soviet states—notably Ukraine—to give up their nuclear weapons. Some American strategists have gone further, advocating the harmonization of U.S. and Russian defense policies. All these themes were highlighted in the communiqués issued after January's Moscow summit.

The emerging capitalist class in Russia is strikingly parasitic.

Implicit in these notions is the view that Russia's major geostrategic concern is regional stability. That makes Russian and American goals basically compatible. Moreover, since Russia is the only power capable of generating stability within the former Soviet Union, and since the independence of some of the new states is precipitating regional conflicts, the pacifying role of Russia is thereby enhanced. Accordingly, the joint Clinton-Yeltsin communiqué at the January summit did not dispute Russia's interpretation of its "peacekeeping" mission in the "near abroad." Going still further, President Clinton, addressing the Russian people, not only described the Russian military as having been "instrumental in stabilizing" the political situation in Georgia, but even added that "you will be more likely to be involved in some of these areas near you, just like the United States has been involved in the last several years in Panama and Grenada near our area."

It follows that concerns regarding the alleged Russian threat expressed by states like Ukraine or Georgia are not to be taken too seriously, and as much has been said by top administration figures. In

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any case, the Ukrainians should blame their own intransigence regarding nuclear weapons for their international isolation and their resulting sense of vulnerability. The other non-Russian states would be well advised to eschew excessive nationalism and to make their own accommodations with Moscow, thereby relieving Washington of excessive burdens or awkward pangs of conscience. President Clinton's visit to Belarus, a state that is increasingly being reintegrated under the Kremlin's control, has reinforced the impression that the administration blesses Moscow's "peacekeeping."[2]

Last but not least, a democratizing Russia is perceived as justifiably fearful of exclusion and isolation. Hence its opposition to any eastward expansion of NATO to fill the security vacuum in Central Europe is understandable. Instead, a loose NATO-sponsored collaborative arrangement, the Partnership for Peace, is to be open to all, thus propitiating the Russian objection against the opening of NATO doors to membership by a specific few. However, this price, the administration feels, is worth paying for the sake of an enduring American-Russian reconciliation.

The vision is undeniably grand, and the conviction is captivating. But is the historical optimism inherent in this concentration on a bilateral partnership, including its premises as well as its central objective, well grounded?

THE IMPERIAL IMPULSE

UNFORTUNATELY, CONSIDERABLE evidence suggests that the near-term prospects for a stable Russian democracy are not very promising. The growing political influence of the Russian army, especially in Russia's foreign policy, is not reassuring. President Yeltsin's inclination toward authoritarianism has transformed the new constitution for a democratic Russia into a document that can be easily used to legitimize arbitrary personal rule. Russian political culture is still far from accepting the principle of compromise as the basis for polit-

[2] For example, President Clinton agreed to downgrade his planned homage at the Belarussian national shrine in the Kuropaty forest to the victims of Stalinist rule because of objections raised by the leaders of the pro-Moscow faction in Minsk.

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ical discourse. Meanwhile the continuing economic crisis has been alienating the masses from both the democratic process and the free market. That the democratic parties do not control the newly elected Duma is also worrisome.

Making matters worse is the centrality in Russian politics of an old issue, one that evokes the greatest passion from the majority of politicians as well as citizens, namely, "What is Russia?" Is Russia primarily a nation-state or is it a multinational empire? Polling data indicates that the dissolution of the Soviet Union is viewed by roughly two-thirds of the Russian people, and even by the majority of democratic politicians, as a tragic mistake, something that must somehow be undone. Yet any effort to recreate some form of empire, repressing the awakened national aspirations of the non-Russians, would surely collide head-on with the effort to consolidate a democracy within Russia. The bottom line here is a simple but compelling axiom: Russia can be either an empire or a democracy, but it cannot be both.

Russia can be either an empire or a democracy, but it cannot be both.

The non-Russians are no longer politically passive nor nationally unaware. Their nationalism is a reality that expresses itself through the strong desire for independent statehood. Efforts to suppress it would unavoidably affect the fabric and substance of any emerging Russian democracy. Moreover, efforts to recreate and maintain the empire by coercion and/or economic subsidy would condemn Russia not only to dictatorship but to poverty.

Regrettably, the imperial impulse remains strong and even appears to be strengthening. This is not only a matter of political rhetoric. Particularly troubling is the growing assertiveness of the Russian military in the effort to retain or regain control over the old Soviet empire. Initially, these efforts may have been the spontaneous acts of rogue military commanders in the field. However, military self-assertion in such places as Moldova, Crimea, Ossetia, Abkhazia, Georgia and Tajikistan, as well as military opposition to any territorial concessions in the Kuriles and to the reduction of Russian forces in the Kaliningrad region and to a prompt withdrawal from all the Baltic

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republics, perpetuates imperial enclaves on the outer edges of the former empire. (A line drawn on the map between these points would virtually trace the outer boundaries of the former U.S.S.R.)

These efforts were formalized in late 1993, when the Russian military command asserted its de facto right to intervene in the former Soviet republics if developments there were deemed to violate Russian interests or threaten regional stability. These sentiments were subsequently echoed by Russian political leaders. Moreover, they have been matched by deeds. In 1993 Russian military behavior toward the new states of the Commonwealth of Independent States (CIS) became increasingly unilateral, while the Moscow government became more assertive in the use of economic leverage.

Russian policy toward its CIS neighbors has had two central prongs: it has focused on progressively stripping the newly independent states of economic autonomy and forestalling the emergence of separate armed forces. The first has been designed to drive home the lesson that economic recovery is only possible through closer CIS integration, while the second has sought to limit national armies to essentially symbolic and nominal forces, to be increasingly integrated under Moscow's command. So far, only Ukraine has made serious efforts to shape its own military.

In addition, the last two years have seen a concerted effort by Moscow to rebuild some of the institutional links that used to bind the old Soviet Union together. Much energy has been invested in promoting a host of new agreements and ties, including the CIS charter, a collective security treaty (which in several cases also gives Russia control over the external frontiers of the former Soviet Union), a collective peacekeeping agreement (used to justify intervention in Tajikistan), a new ruble zone (meant to give the Russian central bank the decisive role in monetary matters), and a formal economic union (transferring key economic decision-making to Moscow), to a common CIS parliamentary institution.

The use of military and economic means to obtain subordination to Moscow has been strikingly evident in the recent trials of Belarus and Georgia. In Belarus, Russian economic subsidies were translated into political subordination. In Georgia, military intervention

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gave Moscow the pretext for political mediation. In the course of it, Georgia learned—contrary to what Clinton said in Moscow—that Russia as umpire is not very different from Russia as empire.

Most ominous, given Ukraine's size and geostrategic importance, has been the intensification of Moscow's economic and military pressure on Kiev, in keeping with the widespread feeling in Moscow that Ukrainian independence is an abnormality as well as a threat to Russia's standing as a global power. (The inclination of some leading Russian politicians to speak openly of Ukraine as "a transitional entity" or "a Russian sphere of influence" is symptomatic.[3]) The Russian military has enforced a partition of Crimea and asserted unilateral control over most of the disputed Black Sea fleet.[4] Making matters even worse has been the open assertion of Russian territorial claims to portions of Ukraine. At the same time, economic leverage has been applied through reductions and periodic cutoffs in the delivery of vital energy sources to Ukrainian industry, presumably in the hope of destabilizing the country to the point that a sizable portion of the population will begin to clamor for a closer connection with Moscow.

To isolate Ukraine internationally, Russian policymakers have also skillfully exploited the Clinton administration's preoccupation with Ukraine's nuclear status. Playing on American fears (and the administration's evident preference for Russian control over Ukraine's nuclear weapons), Moscow was quite successful in portraying the new leaders in Kiev as a menace to international stability. Ukraine's ineptitude in conveying its concerns to the West also intensified its isolation and therefore its sense of vulnerability.

By late 1993, just two years after the formal dissolution of the Soviet Union (leaving aside the Baltic republics), only beleaguered Ukraine,

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[3] For an outspoken attack on this approach by a democratic Russian, see Andrei Kortunov, "Why hit a man when he is down?" *Moskovskiye Novosti*, Dec. 7, 1993.

[4] In doing so, the Russian military have occasionally hinted that they enjoy U.S. support. Thus, the first deputy commander in chief of the Russian Naval Forces, Admiral Igor Kasatonov, reported on his return from a visit to the U.S. Navy that he had discussed the problem of the Black Sea fleet with his U.S. counterparts and that "they do not share the absurd approach of Ukraine's Defense Minister toward this problem. Therefore they are, of course, in favor of the Russian BSF. *This is their official point of view.*" *Interfax*, Oct. 14, 1993, italics added.

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energy-rich Turkmenistan and perhaps authoritarian Uzbekistan could still be viewed as truly sovereign.

HISTORICAL AMNESIA

THE NOTION OF A REAL PARTNERSHIP—if it is to be more than a ritualistic slogan designed to salve wounded Russian national pride—requires a solid foundation of shared international goals and interests. It is certainly reassuring and gratifying that Russian foreign policy makers have indicated a genuine interest in cooperation with America in the areas of global peacekeeping, development and disarmament. Many public statements by President Yeltsin and by Foreign Minister Andrei Kozyrev have been constructive, while Russia's conduct in the United Nations has contrasted markedly with the behavior of the Soviet Union.

Moreover, responsible Russian leaders know that neither the old tsarist empire (with its open Russification), nor the Soviet Union (with its coercive totalitarianism), nor the previous domination of central Europe (with its overt political and ideological subordination) can be fully restored. Such outlandish goals are entertained only by extremist elements—either radical chauvinists or old communists—though, admittedly, both have been gaining influence. For the time being, however, the dominant political elite appear to have a somewhat more limited set of objectives.

The dynamic thrust of prevailing policy seems to be pointed not toward the recreation of the old centralized union but toward a confederal arrangement in which Moscow would dominate a cluster of satellite states (much like in the old Soviet bloc) but this time within the confines of the former Soviet Union itself. Russian politicians have been talking openly of making Russia the center of a new confederation within which the non-Russian, formerly Soviet states, while formally retaining the semblance of sovereignty, would be progressively and increasingly constrained by economic, political and military ties. Ukraine, once reduced to the status, for example, of former Soviet satellite Bulgaria, would thus no longer pose a problem. With Belarus already effectively subordinated, Ukraine's return to the

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fold would reunite under the Kremlin the Slavic component of the former Soviet Union.

Russian leaders seem to hope that they can apply the same formula to the non-Slavic nations of the Caucasus and Central Asia. Their economic dependence on some form of integration with Russia as well as the large number of Russian colonists in several of them make these states quite vulnerable to Russian economic and political pressure. This has generated widespread fear and considerable resentment among the new elites. During this author's trip to Central Asia and Georgia in late 1993, all the top political leaders deplored, in strong language, Moscow's use of the Russian settlers as a justification for claiming the right to intervene. The outspoken president of Kazakhstan, Nursultan Nazarbaev, went as far as to state publicly—in words almost calculated to outrage the Russians—that "any talk about the protection of Russians living in Kazakhstan reminds one of the times of Hitler, who also started off with the question of protecting Sudeten Germans."[5]

If not openly imperial, the current objectives of Russian policy are at the very least proto-imperial. That policy may not yet be aiming explicitly at a formal imperial restoration, but it does little to restrain the strong imperial impulse that continues to motivate large segments of the state bureaucracy, especially the military, as well as the public. The underlying and increasingly openly stated consensus behind the policy appears to be that the economic and military integration of the once-Soviet states under Moscow's political direction would prompt the reemergence of Russia as a mighty supranational state and a truly global power. As Foreign Minister Kozyrev put it, "Anyhow, everything will get back to its old place."[6]

Prevailing Russian thinking about central Europe is an extension of this proto-imperial approach. Central Europe is not to be permitted to become an organic part of an integrating Europe, and especially of the Euro-Atlantic alliance. The region is explicitly designated as an area of special Russian interest and influence, including—accord-

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[5] Interview with *Interfax*, Nov. 24, 1993.
[6] Andrei Kozyrev, in *Rossiyskaya Gazeta*, Dec. 7, 1993.

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ing to the new military doctrine—the right to object to "the expansion of military blocs or alliances" (i.e., NATO) into the region.

Russian spokesmen, both military and civilian, have not hesitated to employ harsher language in making known their objections to any expansion of NATO. The Russian foreign minister went as far as to declare, in words painfully reminiscent of the old Soviet style, that any tendency in that direction would create "a buffer zone that could be crushed in any situation," while Marshal Pavel Grachev imperiously declared, "Russia cannot allow Poland to be admitted into NATO."[7]

Instead, Russian leaders have indicated that they would favor a joint Russian-NATO guarantee for the security of the region. That proposal—contained in President Yeltsin's letter of September 1993, to the leaders of the United States, Great Britain, France and Germany—was interpreted by the central Europeans as an ominous proposal for a regional condominium. Their suspicion that it would be a symbolic condominium only—with Russian military propinquity and Western political indifference in effect legitimizing a Russian sphere of influence—was deepened by Yeltsin's perplexing statement in the same proposal: "We are of the opinion that relations between our country and NATO should be several degrees warmer than relations between the alliance and Eastern Europe."[8]

The larger design that emerges from these assertions would confine the political integration of Europe largely to the western peripheries of the continent. A wider system of security would range all the way (as the slogan goes) from Vancouver to Vladivostok, thereby progressively diluting the Euro-Atlantic alliance while permitting a regionally hegemonic Russia, eventually revitalized under the umbrella of the American-Russian partnership, to become again the strongest power in Eurasia. Unlike the old centralized Soviet Union and its neighboring bloc of satellite states, the new arrangement would embrace Russia and its satellite states (within the former Soviet Union) in some kind of confederation, with central Europe next door viewed by the West as Russia's sphere of influence.

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[7] Interview with the Polish Press Agency, Aug. 23, 1993.

[8] *Foreign Broadcasting Information Service-SOV* (unofficial translation), Dec. 3, 1993.

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Over the years the U.S.-Soviet relationship occasionally developed characteristics of a partnership in some areas. Yet it remained essentially unthreatening to America's European allies because the essence of the relationship remained adversarial and therefore the interests of the allies were always high among U.S. concerns. In contrast, a cooperative condominium between America and Russia would result in a lower priority for the interests of the allies.

Insurance is needed against the possibility that Russia will not stabilize as a democracy.

Should the design become reality, the Euro-Atlantic alliance would inevitably be an immediate casualty of the European perception of American acquiescence to such a scheme. Germany would doubtless view such a development negatively, while France would be likely to assault it publicly as an American betrayal of European interests. What else these states might do cannot be foretold, but it is a safe guess that Euro-Atlantic unity would be fractured. Germany almost surely would be tempted to pursue its own interests, perhaps through some separate accommodation with Russia. Any such German movement would undo whatever prospects exist for German-Polish reconciliation. That reconciliation, however, is central to the future stability of a larger Europe, much as German-French reconciliation was central to the stability of Western Europe.

The end result would be to forfeit the long-range fruits of the West's victory in the Cold War. Instead of relative stability in Eurasia and of a new and genuinely constructive American-Russian partnership, a more troubling pattern of power politics could again come to dominate the old continent. Fluid and unpredictable coalitions could replace the present hopes for a larger and more united Europe, closely linked to America, with both engaged in deeper collaboration with Russia.

All these concerns are focused on a future that today may look not only remote but unlikely, given Russia's current *smuta* (a term used in Russian history to denote a prolonged phase of internal malaise). But the reality of the malefic trends noted here calls for a basic rethinking of the American strategy toward Russia. Too much of this strategy is based on historical amnesia that has already prompted, for

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example, the U.S. secretary of state to defend the new Russian military doctrine as essentially benign. Insurance is needed against the possibility—one might even argue the probability—that the weight of history will not soon permit Russia to stabilize as a democracy, and that the single-minded cultivation of a partnership with Russia, while downgrading other interests, will simply accelerate the reemergence of an ominously familiar imperial challenge to Europe's security.

GEOPOLITICAL PLURALISM

THE CENTRAL goal of a realistic and long-term grand strategy should be *the consolidation of geopolitical pluralism within the former Soviet Union*. That goal defines more appropriately the long-term American interest, irrespective of whether in the near future Russia does or does not become an accommodating democracy. Attaining that goal is the necessary precondition for the eventual emergence of a stable democratic Russia. Only when a felicitous environment for Russia to define itself purely as Russia has been firmly created will the basis have been laid for an enduring and genuine American-Russian partnership.

The basic premise of this alternative strategy is that geopolitical pluralism will foster the best context for the emergence of a Russia that, democratic or not, is encouraged to be a good neighbor to states with which it can cooperate in a common economic space but which it will not seek or be able, politically and militarily, to dominate. The consolidation of geopolitical pluralism would inhibit the temptation to reinvent the empire, with its pernicious effects on prospects for democracy in Russia. In not being an empire, Russia stands a chance of becoming, like France or Britain or earlier post-Ottoman Turkey, a normal state.

Consolidation of geopolitical pluralism within the former Soviet Union would entail a number of practical policy consequences. Though continuing the pursuit of a deepening friendship with Russia, it would call for a more balanced distribution of financial aid to Russia and to the non-Russian states, the abandonment of the single-minded elevation of the question of nuclear arms to the status of lit-

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mus test for American-Ukrainian relations, and an even-handed treatment of Moscow and Kiev.[9] It would require the explicit recognition of the fact that Ukraine's independent existence is a matter of far greater long-range significance than whether Kiev does or does not promptly dismantle its post-Soviet nuclear arsenal. It also would condition American aid to Russia on the end of Russian efforts to the newly independent states into fully subordinate satellites, and it would entail a greater willingness to make an issue—including in the United Nations—of Moscow's transgressions against its neighbors. Georgia, for example, deserved better in 1993.

The crucial issue here, one that might well come to a dramatic head in the course of 1994, is the future stability and independence of Ukraine. It cannot be stressed strongly enough that without Ukraine, Russia ceases to be an empire, but with Ukraine suborned and then subordinated, Russia automatically becomes an empire. American policymakers must face the fact that Ukraine is on the brink of disaster: the economy is in a free-fall, while Crimea is on the verge of a Russia-abetted ethnic explosion. Either crisis might be exploited to promote the breakup or the reintegration of Ukraine in a larger Moscow-dominated framework. It is urgent and essential that the United States convince the Ukranian government—through the promise of substantial economic assistance—to adopt long-delayed and badly needed economic reforms. At the same time, American political assurances for Ukraine's independence and territorial integrity should be forthcoming.

A more visible American show of interest in the independence of the Central Asian states, as well as of the three states in the Caucasus, should follow. Vice President Al Gore's visit in late 1993 to Kazakhstan and Kyrgyzstan was a step in the right direction, but much more could be done at relatively little cost. Kyrgyzstan has been implementing American prescriptions for democracy and the free market, and today it is in worse straits than some of its neighbors. Given its

[9] For a very intelligent Russian critique of the Clinton administration's fixation on Ukrainian nuclear weapons and of its counterproductive impact on both American and Russian relations with Ukraine, see Stanislav Kondrashov, "That Kiev is Holding on to Nuclear Weapons is the Fault of Moscow and Washington," *Izvestiia*, Nov. 27, 1993.

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small size, even modest American involvement would have considerable political impact. U.S. political relations with Uzbekistan, and to some extent Turkmenistan, both of which appear determined to resist external domination, have lagged because in Washington's view these largely Muslim countries have made insufficient progress toward democracy. Yet U.S. policy toward Kuwait or Saudi Arabia, for example, does not appear to be motivated by the same concern and, for equally good strategic reasons, neither was it in years past toward Taiwan or Korea.

To the extent possible, the Central Asian states should be encouraged to engage in regional cooperation in order to enhance stability. Otherwise, ethnic conflicts between them are likely to be exploited from the outside, much as with the Armenian-Azerbaijani warfare. The initiative by Kazakhstan and Uzbekistan in early 1994 to form an economic union certainly deserves international support, especially from the United States. In addition, given China's growing economic impact on the region and its natural interest in the future of the adjoining Central Asian states, some quiet American-Chinese political consultations regarding the area would be timely.

For equally good geopolitical reasons, but also for humanitarian ones, the United States should be more responsive to the need for international peacekeeping in the Caucasus. The U.N. special representative has proposed an international force of 2,000 peacekeepers for the Georgia-Abkhazia conflict, of whom not more than one-third would be from the same country. The effect would be to engage the Russians, who probably would supply one-third, in constructive international cooperation while reducing the scope for their unilateral intervention. The administration has inexplicably dragged its feet, thereby forfeiting the opportunity to establish a positive precedent for international, and thus genuine, peacekeeping within the CIS.

Pursuing geopolitical pluralism should also entail a more deliberate expansion of the scope and perimeter of European security. The deliberate promotion of a larger and more secure Europe need not be viewed as an anti-Russian policy, for the inclusion in NATO of several Central European democracies could be coupled with a simultaneous treaty of alliance and cooperation between NATO and Russia. It is alto-

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gether unlikely that Russia could be assimilated into NATO as a mere member without diluting that alliance's special cohesion—and that is certainly not in America's interest. But a treaty between the alliance and Russia (even if Russia falls short of U.S. hopes for its democratic evolution) would provide the Russians with a gratifying recognition of their country's status as a major power while embracing Russia within a wider framework of Eurasian security.

That the expansion of the zone of democratic Europe's security would bring the West closer to Russia is no cause for apology. An eventually democratic Russia should wish to link itself with a stable and secure Europe. Only then will modernity and prosperity become Russia's reality. On this issue, propitiating Russian imperialists is not the way to help Russian democrats. The right course is to insist firmly that the gradual expansion of NATO eastward is not a matter of "drawing a new line"—as President Clinton wrongly put it in Brussels in January 1994—but of avoiding a security vacuum between Russia and NATO that can only tempt those in Russia who are more than ready to opt for empire over democracy.

Over the years American policy toward Russia has oscillated between naive wishful thinking and cool realism. A dose of tough-minded geopolitics, mixed with a friendly sentiment for the Russian people but also with sympathy for the aspirations of the non-Russians, is much more likely to produce a worthy successor to the earlier and historically successful strategy of containment. For that, neither slogans nor illusions provide a viable alternative. The emergence of a true American-Russian partnership requires not only a bilateral accommodation but, even more, a constructive geopolitical framework.

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The Russian 'Mafiya'

Stephen Handelman

POLITICS BY OTHER MEANS

ORGANIZED CRIME IS the most explosive force to emerge from the wreckage of Soviet communism. The so-called Russian mafiya has undermined reform, spawned extraordinary levels of violence in major cities, and helped fuel a growing ultranationalist backlash. Although it is considerably less organized than its Western counterparts, and for that reason often misunderstood or underestimated in the West, Russia's crime syndicate constitutes a serious threat to post-Soviet democracy.

The "mafiya," Russian-style, is a hydra-headed phenomenon that feeds on the emerging market economy. Between 3,000 and 4,000 gangs operate in Russia, including several hundred whose activities span the territory of the Commonwealth of Independent States and cross the old Soviet borders into Central Europe and the West.

The definition of Russian organized crime is sometimes stretched for domestic political purposes. Police and politicians still fall into the Soviet habit of ascribing mafiya connections to anyone who possesses what seems an unreasonable amount of money. Total active gang membership in Russia is estimated at less than 100,000 people. Nevertheless, the hazy boundary between criminal and legal business activity has allowed mafiya groups to penetrate most areas of the Russian economy, giving them disproportionate influence.

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According to the Russian Ministry of Internal Affairs (MVD), organized crime controlled as much as 40 percent of the turnover in goods and services by 1993. Few entrepreneurs can expect to remain in business for long without being asked to pay money or provide shares in their companies to gun-toting "protectors." In the absence of government regulation, criminal cartels have infiltrated banks, real estate markets, stock exchanges and even the rock music industry. Meanwhile, more traditional criminal pursuits have transformed the economy of regions like Central Asia, which is fast becoming the newest hub of the world narcotics trade. Most unsettling of all, perhaps, is the involvement of organized crime groups in the marketing of stolen Red Army weapons, which then turn up in the ethnic quarrels on Russia's southern borders.

What makes the Russian mafiya distinctively menacing is its connection to key sections of the government bureaucracy.[1] No criminal enterprise of this complexity could have succeeded without the support and encouragement of officials at every level. According to government investigators, more than half the country's criminal groups in 1992 had ties to government. A number of cartels are fronts for the former Soviet elites—the "nomenklatura capitalists," who have shed their party cards en route to becoming wealthy monopoly financiers. Mounting evidence indicates that nomenklatura capitalists use organized crime groups as instruments in the fierce struggle over the spoils of the former Soviet Union: the industries, banks, defense facilities, ports and factories once exclusively controlled by the Communist Party.

In one notorious 1992 case, Chechen mobsters were intercepted in an attempt to swindle about $350 million from private banks in Moscow and other cities by using promissory notes, a form of interbank transfer inherited from the Soviet era. Four employees of the Russian State Bank were later accused of supplying the false promissory notes to the Chechens in return for a cut of the profits.

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[1] I have spelled "mafiya" using its Russian phonetic translation in order to distinguish it from its Western counterpart. All figures cited in this article, except where otherwise noted, come from the Russian Ministry of Internal Affairs. Since facts about organized crime are still largely unpublished, much of the material presented here is based on private interviews with leading police officials, politicians and gangsters themselves.

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"PUBLIC ENEMY," THE BETTMANN ARCHIVE

Is America's past Russia's future?

Profit may not have been their only motive. The president of the country's largest commercial banking association believes the inspiration for the swindle came from senior Finance Ministry officials determined to undercut private commercial banking activity. Crime in the post-Soviet era, in other words, is often a continuation of politics by other means.

THE GREENING OF RED GANGS

TO UNDERSTAND THE Russian mafiya's role in the nation's political wars, a brief look back is useful. Russia's criminal underworld has an impressive history. Societies of smugglers, thieves and highwaymen existed on the margins of national life for centuries. In the late tsarist era, outlaw bands were glamorous symbols of struggle against

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landowners and the oppressive state. The traditional gang structure, fortified by a code of honor and rituals that discouraged outsiders, became a model for the early Bolshevik clandestine organizations.

The future founders of the Soviet state not only admired the gangs' antiestablishment ethos. They also secured employment for them in the revolution. Bandits were recruited for so-called expropriations—bank heists and kidnappings—carried out in order to raise funds. The young Josef Stalin counted gang leaders among his closest associates, eventually recruiting some of them into his secret police. After the establishment of Soviet power, members of the criminal underworld were used as enforcers and informers against political dissidents in the gulag prison system.

But the most profitable form of cooperation emerged in the 1960s with the rise of the black market. Soviet gangsters acted as unofficial middlemen in the "gray" and "black" economies, circulating privately produced goods or state materials with the tacit cooperation of factory managers and apparatchiks. At the same time, the archaic structure of the old Russian gang began to change. Large criminal organizations surfaced in many Russian cities, led by mob chieftains known as *vory v zakonye* (thieves in law), who ran the equivalent of territorial monopolies in trade. As traditional underworld proscriptions against involvement with authorities weakened, many mob leaders began to operate in tandem with government officials in their regions. By the close of the Soviet era, more than 600 *vory* populated the length and breadth of the Soviet Union.

Communist authorities themselves, however, took second place to no one in criminal behavior. During the 1970s and 1980s, scandals such as the Cotton Affair, in which party bosses in Uzbekistan raked in huge profits by falsifying production reports, revealed a previously unsuspected talent for larceny beneath the puritanical exterior of the Soviet leadership. Russians first began to use the word "mafiya" in those decades to describe the vast networks of corruption lurking inside regional and central ministries.

Perestroika did little to break the power of these networks. In fact, it brought various criminal strands of Soviet life together. "Perestroika was the real beginning of organized crime in our coun-

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try," said one senior MVD investigator, a comment others repeated dozens of times. The secret wealth accumulated by underground tycoons and party barons found a legitimate outlet when the government expanded the permissible area of private commerce. Black and gray money poured into the stock exchanges, joint ventures, cooperatives, banks and joint stock companies that were otherwise celebrated abroad as harbingers of economic reform. At the same time, party bodies (and the KGB) quietly siphoned funds to trading companies and export-import firms that were being positioned to take advantage of the widely anticipated new era of "market socialism." Russian entrepreneurs who tried to operate by the rules found it impossible to survive in the face of both official and criminal competition. By the late 1980s, according to Russian analysts, the majority of small cooperative businesses established during perestroika was either controlled by or heavily in debt to criminal elements.

Unbridled capitalism, organized crime and official chicanery have produced a crisis of governance.

The stage was thus set for the shifting alliances and violent struggles that have come to characterize modern Russian organized crime. Russian mobsters have been as unwilling as their political counterparts to abide by the rules of compromise and consensus required of large organizations. This diffusion of mafiya power across the country has had a devastating effect. Gangland murders, bomb explosions, kidnappings and gun battles have become part of daily life in dozens of Russian cities. This increased violence has been the most visible sign of underworld competition for a stake in the new economy—and of a criminal sophistication beyond anything seen before in Russia.

The Russian gang is arguably the only Soviet institution that benefited from the collapse of the U.S.S.R. Once the powerful party machine that administered the old empire fell apart, the 15 new nations that emerged represented easy pickings for criminals who perceived the entire Eurasian continent as their natural domain. For instance, the smuggling trade flourished as enormous quantities of copper, zinc and other strategic metals were shipped

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from central Russia in unmarked trucks or military aircraft to Baltic ports and then to Scandinavia or Western Europe. The smugglers took brilliant advantage of the Commonwealth clash of sovereignties: products stolen from a Russian factory were regarded as legal goods the moment they left Russia's borders. So much illicit metal from Russian defense factories passed through Estonia on its way overseas—an estimated half a million dollars' worth a day in 1992—that the tiny Baltic republic earned the distinction of being one of the world's largest exporters of finished metal without operating a single metal plant.

Smuggling profits have formed the foundation of postcommunist mafiya wealth and the basis for the working cooperation between criminals and the nomenklatura. By the time Commonwealth governments awoke to the dangers created by their porous borders, and hastily began signing (largely ineffective) customs treaties, the income from the illicit trade in Soviet resources was being plowed into real estate, privatization vouchers and financial institutions. It soon became difficult to separate the gangs from their government patrons.

Russian authorities readily acknowledge that the mixture of unbridled capitalism, organized crime and official chicanery has produced a crisis of governance. A frustrated Boris Yeltsin said last year that mob activity had "acquired such scale and character" that it threatened the future of the Russian state. He complained it was destroying the economy, destabilizing the political climate and undermining public morale. "Crime," he concluded, "has become problem number one for us." It was impressive rhetoric. But it sounded, unfortunately, like an admission of defeat.

CRIME AND PUNISHMENT

THERE HAS BEEN much bluster in the Russian parliament about crime prevention but, since casting aside communist rule in 1991, Russia's new leaders have failed to adopt any significant measures to curb organized crime. What's more, the reformers' most substantial achievements—demolishing the last vestiges of the police state and

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lifting most restrictions on private ownership—have had the perverse effect of creating the perfect environment for mafiya growth.

Russian policymakers committed a fundamental mistake: they tried to develop a free market before constructing a civil society in which such a market could safely operate. As a result, businessmen, politicians and law enforcement agencies suffer at the mercy of the lingering ideological prejudices of Soviet jurisprudence. Many activities that are required for a market economy to function remain illegal or unprotected by legislation; other activities that are considered unlawful according to Western norms, such as organized crime, are not specifically prohibited.

Under the existing system, police may arrest a group of felons caught in a criminal act, but the lack of Western-style conspiracy laws means police cannot prosecute the mastermind if he or she stays off the scene. Under Soviet law, "racketeering" was considered a capitalist concept and therefore inapplicable to Soviet reality. On the other hand, making a profit—"speculation," a serious offense under the old Soviet criminal code—remains an ambiguous area for post-Soviet law enforcement. Provisions for settling disputes between private companies have yet to be clarified, and no guidelines yet exist for establishing contracts or declaring bankruptcy. Russia has no independent judiciary and no way of tackling more sophisticated varieties of white-collar crime. Current laws offer no means of impounding the records of fraudulent companies or checking the criminal provenance of bank accounts. Even if such provisions existed, their enforcement would be doubtful. Russian policemen are so poorly equipped that some pursue criminals by bus and taxi. In such an environment, it is no wonder that crime flourishes.

Several ambitious plans to increase spending on police and security forces and replace the old Soviet criminal code languished in the last parliament. The new Russian constitution, approved by a narrow margin last December, establishes some important principles for reforming the justice system, such as an independent judiciary and the right to private property and business. But it remains to be seen whether those principles and plans will be translated into law.

The greatest obstacle to a coherent anti-mafiya policy remains per-

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ceptual. Many Russian policymakers (and some foreigners) believe that corruption and crime are the price that must be paid for Russia's experiment with free enterprise. They argue that other nations (including post-1917 Russia) also experienced high crime rates during periods of acute social and economic change. Today's smuggling tycoons and shady entrepreneurs are often compared to the robber barons of nineteenth-century America. Perhaps, too, it is only reasonable for those whose notions of order were shaped by Soviet authoritarianism to wonder whether the cure might not be worse than the disease. But arguments for accommodating the mafiya break down at a critical point. It is one thing to tolerate the excesses of future Russian Carnegies, Vanderbilts and Morgans; it is quite another to grant them free grazing rights in the political system.

The mafiya's connection to government makes it a dagger pointed at the heart of Russian democracy.

The Russian mafiya's connection with government, born of its symbiotic relationship with the former communist establishment, makes organized crime a dagger pointed at the heart of Russian democracy. The danger is especially apparent outside the urban centers of Moscow and St. Petersburg, where local crime lords and their government allies have filled the vacuum created by the departure of communist authority. These alliances are joined for political as well as economic reasons. As regional leaders seek more power over resources, they share a common interest with black-marketeers and underworld figures in resisting central control.

Organized crime has infected the central nervous system of Russian politics. Throughout 1993, successive corruption scandals paralyzed the Yeltsin government. No institution was left untainted: senior commanders of the Red Army were caught in smuggling rings; cabinet ministers and police officials were discovered working for shady commercial firms. In the most celebrated case, members of the ill-fated Supreme Soviet, led by then Vice President Aleksandr Rutskoi, forced several reform ministers out of office over charges of corruption. Government officials, in retaliation, released

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documents attempting to prove that Rutskoi and his political allies were guilty of money laundering and weapons smuggling.[2]

The burlesque of charge and countercharge politicized even the slender efforts the state was making to halt corruption and further reduced the government's credibility. Russians could easily remember how corruption cases during the Soviet era coincidentally affected only the losers in political battles. While Yeltsin himself was not linked to any scandals, the president plainly found it awkward to deal with evidence of wrongdoing among his political allies. Several of his top anticorruption investigators quit in disgust. As the euphoria of August 1991 faded, most people concluded that hardly anything had changed except the faces in power. "To tell you the truth," one prominent Moscow journalist admitted to me, "if someone staged a new coup tomorrow, I would not know what or whom to defend."

To suggest to an increasingly disillusioned populace that crime is an unfortunate but unavoidable by-product of political and economic transition is an insult. The rising cost of living might be politically acceptable to ordinary Russians who, as they are the first to inform foreigners, have endured tough times before. But when economic discontent is joined to anger over official corruption and criminal violence, it becomes a potent political force. The sight of the country's newly rich emerging from luxury restaurants and gambling casinos, of Western cars jamming the roadways, of gunmen strutting down the streets, intensifies the nationwide sense of betrayal and, more significantly, the loss of personal security.

Rising crime rates have turned what was once an ordered, communal society into a land of fearful strangers. In a 1992 survey, three out of four Muscovites admitted they were afraid to walk the streets at night. And in 1993 another opinion poll found that 49 percent of Rus-

[2] In February 1993, Russian Defense Minister Pavel Grachev announced that 46 generals and top officers were to be court-martialed on corruption charges and that an additional 3,000 officers were to be disciplined for "illegal business deals" ranging from smuggling weapons to black-market sales of military equipment. A few months later, Grachev himself was hit with corruption charges related to the acquisition of official cars from Germany.

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sians rated crime higher on their list of concerns than unemployment.[3]

The strong support for the neofascist Vladimir Zhirinovsky in the December 12, 1993, parliamentary elections owed at least as much to the backlash against crime as to economic populism. The continuing appeal of both ultranationalist patriots and neocommunists is largely based on their invective against "mafiya" (read Western) values. Zhirinovsky, like many opposition candidates, campaigned on a harsh law-and-order platform. In his last television appearance before the election, he advocated a return to Russian civil war-era decrees ordering the shooting of criminals on sight.

Draconian solutions to the law-and-order crisis are now part of mainstream political thinking and will probably dominate the agenda of the new State Duma. Having failed to develop a society guided by the rule of law, the first post-Soviet government is reverting to the habits of its predecessors. Retrograde attitudes emerged in the aftermath of Yeltsin's battle with parliament during the crisis of October 1993. Shortly after the assault on the Russian White House, the government imposed a curfew on Moscow and sent squads of soldiers and police to patrol the streets. Not surprisingly, crime rates plummeted. The incidental success of these temporary measures strengthened the advocates among police and politicians for a Soviet-style war on crime. Yeltsin ordered police to drive "unregistered aliens" out of the capital in an effort to cripple the powerful crime syndicates who move easily between Moscow and other cities across the Commonwealth. The measure was targeted primarily at gangsters from the Caucasus. Chechens and Azeris in particular are responsible for a large percentage of drug trafficking. But the blunderbuss approach resulted in the expulsion or beating of thousands of otherwise innocent traders. Such violence indicated growing racial intolerance among Russians as much as any serious determination to root out crime. And, as some observers noted dryly, most

[3] In the first year after the fall of communism, the Russian public prosecutor reported 2.7 million crimes, an increase of 33 percent over 1991. The rates for murder, rape and aggravated assault continued to climb during the first six months of 1993, along with categories of crime that had been negligible during most of the Soviet era, such as drug trafficking, embezzlement and theft of government property.

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of the Russian crime lords welcomed the move as a way of eliminating their biggest competitors.

There are also signs that the government is preparing to take a harder line against entrepreneurs, conforming to right-wing prejudices that identify private business with crime. The Ministry of Internal Affairs dusted off a KGB tactic used in the last year of the Soviet era—the search of commercial enterprises and confiscation of property without a warrant—and proposed it as part of an anticrime package. Yeltsin rejected the proposal after it was leaked to newspapers. But it surprised no one that the idea received sympathetic attention from nomenklatura capitalists and the right wing.

A reversal or slowdown of reforms is the goal of the former Soviet establishment, which prefers a subsidized, corporate capitalism to the unlimited expansion of private property. It also happens to be the goal of the larger criminal syndicates, which are eager to transform their wealth into political influence. Gangsters ranked among the staunchest defenders of democracy during the August 1991 coup, partially because of their traditional antipathy toward communists. But several have since confided that they no longer support reforms because of the "disorder" in the Russian economy. "In this kind of environment, who can do any business?" said one gangster without a trace of irony.

During the December campaign, some opposition candidates in the regions were believed to have received campaign contributions from mafiya groups, and there are reliable reports that ultranationalist parties have used gangs to harass Caucasians and other ethnic minorities. Whether or not such reports can be believed, the maneuvering room of the Yeltsin government has already been narrowed.

GOOD COP, BAD COP

WESTERNERS UNDERESTIMATE the extent to which organized crime and corruption have hampered Russian political and economic reforms. Early assumptions that the introduction of free enterprise would smooth the way for democracy failed to take into account the lingering power of the former Soviet establishment. Organized crime has

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reinforceed the old structures in their battle to retain control over key sectors of the economy and strengthened popular hostility toward the free-market democratic policies pursued by pro-Western reformers.

The West should to take Russian organized crime far more seriously than it has up until now. The current situation poses a double dilemma to policymakers in Western capitals. While internal Russian developments have moved once again to the top of the international agenda, the West has increasingly less influence over Russia's domestic affairs. Western advice and financial assistance, albeit limited, have been discredited by Russia's bruising encounter with the chaos of the marketplace. Nationalist and authoritarian remedies are now ascendant. But important areas of influence remain unexplored.

Nationalist and authoritarian remedies to chaos and crime are now ascendant.

The first area requires a conceptual change in economic aid policies and in strategies for developing the Russian market. Until recently, the West concentrated on helping Russia meet its international debt load while encouraging it to carry on with austerity policies. Since the December elections, opinion has shifted toward providing more overt support for social safety net programs as a way of easing economic discontent. But these policies still do not address the central problem: the legal vacuum at the heart of the Russian economy. Western advice and assistance in creating a commercial infrastructure, including a viable banking system and regulatory agencies, and in developing a legal framework for business activities would go far toward meeting the security concerns of Russian and foreign investors.

If the obstacles in the Russian marketplace hamper Russian entrepreneurs, they have a chilling effect on foreigners, for whom the nexus between organized crime and politics exacerbates the cultural barriers between the ex-socialist East and capitalist West. Bribery was always a hidden cost of doing business in the Soviet era. Today, the hapless foreign businessman can find himself the target of extortion demands or worse. And he finds little sympathy from already overworked police and courts.

International assistance in bringing Russia's justice and law

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enforcement system into the modern era is therefore crucial. This task involves more than familiarization courses in the principles of Western jurisprudence and police exchange programs. Russian police are deficient in just about every area, from police cars and computers to techniques of crime detection and prevention. Aid in reforming the hoary machinery of Soviet justice, with its bias toward prosecution and disregard for individual rights, would go a long way toward removing a principal factor behind the widespread Russian contempt for law.

The Western police establishment, for understandable reasons, has been gun-shy about working closely with its Russian counterpart. The recent decision by the FBI to open a liaison office in Moscow is a step forward, but several agents admit that widespread corruption inside Russian law enforcement has kept relations less than collegial. However, the West has more than an academic interest in forging a collaborative relationship with Russia's police agencies.

The old rhetoric of the "evil empire" has been replaced by fears of Russian mafiya penetration of Western economies. Those fears are well grounded. Russian gangs have been responsible for a wave of violent crime in Central Europe and Germany. The smuggling of Russian resources abroad has depressed world prices for commodities such as aluminum. Weapons-grade uranium and other by-products of the Soviet nuclear arsenal have turned up for sale in West European capitals.

Russia's criminal syndicates are also attracting unsavory partners in the West. Gang leaders from Moscow and the Baltics have held "summits" with members of the Italian mafia, and Russia's growing importance as a drug transit corridor has aroused interest from Colombian cartels. Post-Soviet gangsters have become active in the United States, as suggested by the growing number of murders, interceptions of smugglers and evidence of substantial capital transfers. The MVD estimates $25 billion was transferred from Commonwealth states to Western banks by organized crime structures in 1993. The sobering possibility that the former communist establishment, through its mob allies, could become a major investor in Western economies reinforces the need for closer attention to the West's own economic security.

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Russia's internal conflicts have dampened the triumphant mood of the post-Cold War era. The turmoil of the past two years has shaken several assumptions made by the West after the fall of the Soviet Union: that the communist establishment has lost its grip on politics, that Russians would eagerly grasp democracy with both hands, and that capitalism would provide the engine of Russia's transformation. The uncertainty surrounding the third assumption is the most troubling. As Russians increasingly identify free-market democracy with organized crime and corruption, they will turn toward much less congenial forms of governing. Unchecked economic chaos and gang violence could well foster the rise of a hostile, authoritarian power on the Eurasian continent, instead of the prosperous partner the West requires for a stable 21st century world.

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Making Regionalism Safe

Robert D. Hormats

COPING WITH NEW COMPETITORS

THE ANSWERS to two great questions will soon set the direction of the world economy. One: Will the industrialized democracies cooperate to sustain an open, market-oriented world trade and financial order? To do so, they must rise above the different ways they practice capitalism and mounting domestic pressures for economic nationalism. Two: Can these countries integrate into such an order those countries that are turning from state controls toward market capitalism?

The second challenge, on which this article focuses, requires vision, will and a comprehensive strategy. Established powers normally have difficulty coping with new competitors: France with Britain in the early nineteenth century, Britain with America later, and most recently the United States with Japan. Now, as a group, the industrialized democracies must integrate into the world economy not one but many developing countries, some with enormous economic potential. This process is producing acute concerns among established powers. Will jobs be lost, wages lowered, investment capital diverted? Can workplace and environmental standards be maintained, much less improved?

Despite the frictions of getting from here to there, expanding the participation of these nations in the world economy will greatly enhance the economic growth of developed democracies. Such was the case for the United States in the decades after World War II when farsighted assistance helped revive and reintegrate Japan and West

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Germany into the world economy. In the next few decades, phasing into a global economic order the newly market-oriented countries of Asia, Latin America and formerly communist Europe would harness the enormous productive capacity and market potential of some three billion people. The result would be an unprecedented transformation and growth of the global economy and a powerful antidote to divisiveness and instability.

But unlike the post-World War II years, no encompassing system like Bretton Woods exists, and no dominating power like the United States was at the time can impose a new order on the world economy. Today's driving forces are private trade and investment flows. They are vital to growth, technological progress and job creation. These flows are creating inexorable momentum toward the further integration of economies within and across regions. How rapidly that integration proceeds, on what terms and in which parts of the world will shape the new global economic order. The challenge for governments is to reinforce these market trends to harvest long-term benefits while resisting pressures to protect against the short-term adjustments needed for future growth.

The arduously wrought compromises that proved necessary to complete GATT's Uruguay Round and the North American Free Trade Agreement (NAFTA) amply illustrate that resistance to freer trade has increased. Within developed countries, sentiment is growing that inherent unfairness results from trading with poorer countries where low labor costs are assumed to be the primary source of comparative advantage. And many Americans and Europeans share the apprehension that rising imports from Asia eliminate domestic jobs.

Thus political tolerance would be in short supply for another global trade negotiation soon after the seven-year Uruguay Round. Just fixing the terms for a new round would be time-consuming, and obtaining new fast-track legislation from the U.S. Congress would be problematic. A successor round of global negotiations involving GATT's more than 100 members will not likely occur until the next century, if ever. In the meantime, many of the issues the Uruguay Round left unresolved—environmental regulations, investment rules, intellectual property protection and access for suppliers of services—

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lend themselves better to bilateral and regional settlements, where direct reciprocity between countries is a more compelling motivator and lowest common denominator resolutions are more avoidable.

TWO TRACKS TO LIBERALIZATION

THE CHOICE need not be between a seamless free trade world, desirable as that may be in the long term, and antagonistic regional blocs. A greater dispersal of economic power will mark the post-Cold War order. Different layers and categories of trade relationships—multilateral, regional, subregional and bilateral—will coexist. This web of relationships can incorporate newly market-oriented countries into the global system in different ways and on different schedules. The new order is likely to evolve on two broad tracks.

One track will emphasize regional negotiations between newly market-oriented economies as well as between them and industrialized market economies. The greatest progress in opening foreign markets is likely to occur through these regional relationships before the turn of the century. Commercial opportunities will flow from initiatives and expansion of the European Union (EU), Asia-Pacific Economic Cooperation (APEC), the Association of South East Asian Nations (ASEAN), NAFTA and other western hemisphere free-trade arrangements. Additional opportunities will flow from the evolution of natural, subregional trading areas like those comprising China's coastal provinces and their offshore neighbors.

The other track will consist of efforts—short of a global negotiating round—to strengthen international rules and organizations so that sub-global arrangements will be consistent with the nondiscrimination and accountability required of open world markets. Countering centrifugal forces and assuring shared responsibility for the world economy will demand much from international organizations such as the new World Trade Organization (GATT's successor), the World Bank, the International Monetary Fund, the Group of Seven (G-7), and the Organization for Economic Cooperation and Development (OECD). Orchestrating the cooperation required to ensure consistency between global and regional trade expansion will

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demand strong American leadership, as the salvaging of the Uruguay Round demonstrated. The burden of such leadership should seem lighter given America's clear self-interest. As the world's largest exporting nation, the United States loses if regional blocs are allowed to become protectionist.

Regionalism, while more the focus of upcoming trade negotiations, is not a unified concept and cannot by itself be the organizing principle for a new global economic order. For example, the EU with its common agricultural policy and common external tariff is far more institutional than NAFTA, which has no common internal policies or common external tariff. Both contrast with East Asia, where the private sector has driven economic integration. Second, regionalism does not answer how trade should be conducted among regions, nor does it ultimately provide a basis for integrating large economies like China, India and Russia into the global economy. Third, many countries will not likely be part of a major regional group in the near future. Finally, geographic regions are not necessarily natural trading areas; witness the greater U.S. trade with Malaysia, Singapore and Thailand in 1992 than with all of South America.

THE REGIONAL ADVANTAGE

WHILE NOT A PARADIGM for it, regional trade zones can contribute importantly to a new global economic order. Regional free trade agreements can improve resource allocation by enlarging markets, expanding investment flows, and creating economies of scale. In some cases such agreements reinforce already close private investment and trade links by further lowering barriers and improving cooperation on domestic policies. Public attention often focuses on tariff reductions in regional negotiations, but business finds equally important the protection of investment and intellectual property, and improvements in the security of market access. Without these provisions, conflicting national laws can undermine the ability of corporations to integrate production processes and support services efficiently.

Regional negotiations can serve as laboratories for experimenting

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with new rules. For example future multilateral negotiations could adopt as prototypes NAFTA's investment protection codes, dispute settlement arrangements and environmental provisions. The EU's harmonization of competition policy and product standards are also appropriate as models. Additionally, the emulation effect has encouraged progress toward regional free trade arrangements because an agreement among one group of countries makes others feel compelled to do likewise to improve their attractiveness to traders and investors.

A free-trade agreement among a group of countries makes others feel compelled to follow.

Much of the impetus for regionalism results from a breakdown of the two major global divisions that artificially obstructed trade and investment among regional neighbors for decades. The first division was a philosophical one between the market-oriented industrialized world and the state control-oriented Third World. The second division was military and ideological, symbolized by the Iron Curtain in Europe. Removal of these barriers during the 1980s has allowed geography to play a greater role in determining trade and investment flows.

In Mexico and much of Latin America the debt crisis led to rejection of import substitution policies in favor of internal liberalization, privatization and unilateral tariff cuts. These policies opened the way for NAFTA and broader regional trade. Through market reforms China became a major regional trading partner, while East and Central Europe became open to opportunities for the West after the demise of communism and of the restrictive Council for Mutual Economic Assistance.

NAFTA and the EU-East European association agreements bear witness to the new incentives for industrialized and emerging economies to negotiate free trade agreements. Through NAFTA, Mexico linked up with its largest market and source of capital, while the United States realized more direct reciprocity in regional trade than it might have obtained from GATT negotiations. For similar reasons, the EU and Eastern Europe have concluded association agreements, which are steps toward full EU membership. In both cases, the indus-

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trialized partners recognized that more purchases from and investment in regional emerging economies would ultimately reduce the threat of destabilizing emigration. Yet another consideration is the framework that economic integration provides for alleviating environmental problems, which the public increasingly demands as a part of trade agreements.

For developing countries that are casting off state controls, free trade agreements with industrialized nations can provide critical stepping-stones into the world market. Developing countries can attract additional foreign investment and still phase in the exposure of their industries to competition, first at the regional and then the global level. Free trade agreements can also gird up domestic reforms. Mexico hopes that NAFTA obligations will lock in its new market-oriented laws, and the governments of Poland, Hungary and the Czech Republic look to EU membership to have the same reinforcing effect that it had for Spanish and Portugese reforms in the 1970s.

Newly market-oriented countries see trade agreements among themselves as increasing economies of scale and luring capital that might otherwise go elsewhere. For example, the ASEAN countries hope to avoid diversion of investment capital to China and Vietnam by reducing intraregional trade barriers. South American countries, sensing the benefits of NAFTA for Mexico and eager to appeal to investors preoccupied with Asia, are creating free trade zones. In 1989 members of the once-protectionist Andean Pact agreed to establish a free trade area by 1995. In 1990 the moribund Central American Common Market was transformed into a free trade area. In 1991 Argentina, Brazil, Paraguay and Uruguay agreed to establish a common market by 1995. With different degrees of intensity Turkey and republics of Central Asia, South Africa and countries to its north, and Israel and its Arab neighbors are also contemplating free trade areas.

One result of economic internationalization is the development of subregional trade links across national borders, such as ties between the U.S. Pacific Northwest and British Columbia and, as previously mentioned, between coastal Chinese provinces and their offshore neighbors. China's enormous size has led to a transition that is integrating coastal provinces into the world market at a faster pace than

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inland provinces. Guandong province and the Shenzen Special Economic Zone have established bonds with Hong Kong, their primary source of capital and main channel to Western markets. Fujian province has close nongovernmental trade and financial relations with Taiwan, to which it is tied by language, and northeastern provinces are building on cultural affinities to attract investment from and accelerate trade with South Korea and Japan.

Plans were begun in 1990 to establish a subregional growth triangle to combine Singapore's technology and financial power with the labor and resources of the Riau archipelago in Indonesia and Malaysia's southern state of Johore. Similar efforts to strengthen commercial ties are linking Bohemia in the Czech Republic, Saxony in Germany and Silesia in Poland. Other subregional ties are emerging between the Lombardy region of Italy and contiguous areas of France and Switzerland and among an increasingly autonomous Russian far east, Japan, northern China and South Korea. Closer to home the American Southwest and northern Mexico are establishing commercial bonds.

REGIONALISM'S OTHER FACE

UNLESS STRUCTURED to complement the global thrust for open markets, regional free trade groupings could turn inward and erect protectionist barriers that would cripple the potential growth of the world economy. In itself, parochialism could be a source of major friction and conflict, hence the need for strong countervailing leadership during the hiatus between multilateral negotiating rounds. While the GATT's progressive lowering of world tariffs over 40 years has reduced the external barriers that can shield regional trading zones, nontariff barriers imposed by regions can have a similarly restrictive effect. High regulatory barriers can divert purchases away from competitive external producers. Product standards can be used to discriminate against outsiders. So can rules-of-origin requirements, which prevent goods produced with foreign materials in excess of a specified level in one member of a free trade area from qualifying for duty-free access to the market of another.

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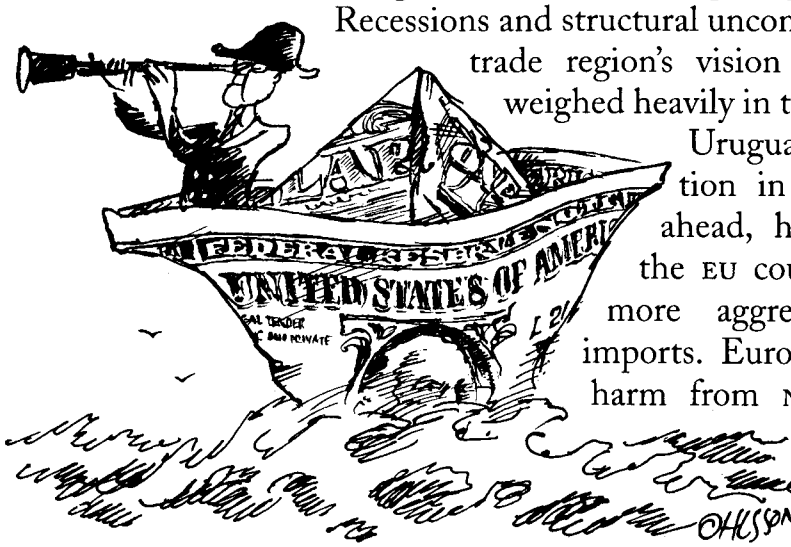
Business and labor often convince their governments to impose such restrictions as the price for granting their support. Under NAFTA, Mexican-made apparel will only qualify for the elimination of U.S. duties and quotas if produced from textiles and yarn made in North America. The EU has similar provisions. When competitive imports threaten a sensitive industry in a free trade area there is a tendency to protect the industry at the expense of outside imports. Foreign fears of losing regional markets often divert investment into those markets for defensive reasons. Free trade areas also can divert energies from the effort required to reduce barriers globally. The EU's internal preoccupations drew attention and political capital away from the Uruguay Round; for a time the Clinton administration's effort to secure congressional passage of NAFTA did likewise.

Regional free trade groupings are not much help to the poorest of nations. Such nations have weaker bargaining power in any type of negotiations with industrialized nations. And many of them, such as the small market states of Africa, are not likely to be grouped in free trade areas with major economic powers. Even developing countries several notches above the poorest must struggle, as Eastern European countries have with the EU, to obtain desired market access. They have had to acquiesce to restrictive safeguards by limiting exports into the EU if volumes increase rapidly. Mexico had to accept unilateral American demands for changes in NAFTA to secure passage by the U.S. Congress.



Recessions and structural uncompetitiveness can turn a trade region's vision inward. Both factors weighed heavily in the EU's resistance in the Uruguay Round to liberalization in key sectors. Looking ahead, high unemployment in the EU countries could stimulate more aggressive restrictions on imports. Europeans and Asians fear harm from NAFTA's rules-of-origin requirements, particularly if the agreement is extended to include

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other western hemisphere countries. Americans and Europeans are afraid that tighter intra-Asian trade and investment linkages will be disadvantageous to nations outside Asia. So far, increased trade and investment in Asia has been market-driven. More than any other part of the world Asia has practiced open regionalism. Given the size and vitality of its economic activity, Asia's future attitude toward regional integration could influence the world economy more profoundly than that of any other region.

THE NEED FOR GLOBAL NEGOTIATIONS

FRICTION AMONG regions will result unless an overarching framework prevents the conduct of commerce within regions from discriminating against outsiders. Such a framework must assure expanded market and investment access to all regions and enforce international accountability for regional and national policies. In most instances, modifying existing institutions and procedures can accomplish this efficiently.

A crucial test will face the new World Trade Organization. It must fulfill its assignment of enforcing the implementation of Uruguay Round agreements and not allow a repeat of lax compliance as occurred with the subsidies agreement reached in the Tokyo Round in the 1980s. New multilateral trade rules will lose credibility unless deals made in the Uruguay Round are faithfully implemented and dispute resolution procedures work fairly and expeditiously. To assure itself a good start, the WTO should develop coalitions of the willing— it should mobilize small groups of countries to further liberalize market access among themselves in key areas such as services and telecommunications and invite other countries to sign on as they make appropriate commitments. A sparing use of the conditional most-favored-nation concept, which the United States introduced in financial services negotiations of the Uruguay Round, would potentially be useful. This concept, or variants of it, could achieve breakthroughs in areas in which the majority of WTO members are not yet prepared to liberalize. The tool addresses the "free rider" issue by discouraging countries from

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holding back on liberalization in the hope of increasing foreign market access without improving access to their own markets.

Modification also would increase the effectiveness of the OECD, a group of 23 industrialized democracies. Opening membership to Mexico, South Korea and Singapore, as well as to selected East European states, would bolster the OECD's relevance in the emerging economic order. A few of these countries have a greater impact on world trade and finance than some current OECD members. Several areas lend themselves to OECD leadership: liberalizing the treatment of foreign investment, harmonizing environmental practices, formulating guidelines to ensure that freer trade and improved environmental practices are not in conflict and resolving differences in competition policies to ensure against anticompetitive business practices impeding market access.

Annual meetings of top officials of the WTO, IMF and World Bank could coordinate policies and objectives concerning trade, investment, currency and development issues. Last September's meeting to promote the Uruguay Round was a prototype. Region-by-region reviews between top officials of these institutions and ministers representing major free trade areas could confirm that regional trade, investment and exchange rate policies were consistent with global rules and a well-functioning world economy. Reviews now take place for individual countries. The IMF's surveillance procedures evaluate national monetary and fiscal policies. The GATT conducts similar reviews under its trade policy review mechanism.

The G-7 must ensure that regional trade agreements advance global liberalization.

The Group of Seven (G-7) also needs to examine guidelines for ensuring that regional trade agreements not only open regional markets but also advance global trade liberalization. In recent years the G-7 appropriately focused on the Uruguay Round, but now it must chart the future evolution of multilateralism and how multilateralism interacts with regionalism and subregionalism. Little thought has been devoted to the implications of regionalism for world commerce or international political and security cooperation. Summit

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governments must forge a consensus on the type of international economic order they will support in the post-Cold War period and not drift into it through uncoordinated actions that could lead to conflict. Like the OECD, the G-7 can leaven its primarily European membership by inviting the leaders of key emerging states like China and regions like Eastern Europe to post-summit discussions on a new global order. And a meeting the day before summit deliberations with the heads of the IMF, World Bank and WTO would reinforce the roles of these institutions and focus attention on priority global issues.

THE CENTRALITY OF U.S. POLICY

THE UNITED STATES' centrality to the shaping of the post-Cold War economic order stems from its commanding worldwide economic and political status. American influence, although less dominant since the rise of other economies, particularly those of Asia, is still the driving force for expanding world trade. As in clinching completion of the Uruguay Round, the United States must continue its vigilant championing of global institutions and open international markets. A pluralistic global economy also will require more active multiregional economic diplomacy. Last fall the Clinton administration effectively utilized the "fear of exclusion" factor. Concerns that NAFTA would limit their access to the North American market induced a number of Asian countries to take a more forthcoming attitude toward APEC. In turn, the Seattle summit of APEC induced the EU to become more accommodating in the Uruguay Round to prevent closer American trade ties to Asia.

The United States can influence the dynamics of future negotiations by opportunistically pursuing bilateral and regional arrangements that promise to expand America's market access in key foreign sectors and areas. The United States and the EU can liberalize access to one another's financial services markets and invite Asian countries to sign on later if they did likewise. Similarly any U.S.-Asian agreements on mutual recognition of product standards and testing could be opened to the EU.

The United States will have to manage a wide spectrum of regional

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relationships. Already the president holds semiannual summits with leaders of EU countries, and he is scheduled to attend annual summits of APEC leaders over the next several years. These and ministerial-level meetings provide opportunities to propose changes in international institutions and rules.

Abroad, NAFTA will be closely watched. Whether the United States seeks to add new members to NAFTA, whether rules of origin regulations are implemented fairly and whether hemispheric trade relations are pursued at the expense of multilateral relations will affect policies of other regions. Pressures are growing on Japan, which is now emphasizing closer political and commercial ties with its Asian partners, to participate in an intra-Asian trade group. If Asia faces growing discrimination in this hemisphere or in Europe, calls for a more institutionalized form of regional economic cooperation will grow.

President Clinton's new trade agenda, which places priority on environmental protection, antitrust regulation and labor standards, will also be closely watched. The challenge will be to support higher workplace and environmental standards in emerging economies while simultaneously broadening global trade opportunities.

American leadership will be crucial in advancing a strategy that combines the proven benefits of open trade and investment with the new realities and advantages of regional and cross-regional trade arrangements. That requires adapting existing institutions to expand market access around the world and to align the policies of regions, subregions and nations with the goal of open markets. Inaction would leave the field open to the temptations of protectionism and thus would undermine the current, promising opportunities to craft a prosperous and secure order going into the 21st century.

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Culture Is Destiny

A Conversation with Lee Kuan Yew

Fareed Zakaria

MEETING THE MINISTER

"ONE OF THE ASYMMETRIES of history," wrote Henry Kissinger of Singapore's patriarch Lee Kuan Yew, "is the lack of correspondence between the abilities of some leaders and the power of their countries." Kissinger's one time boss, Richard Nixon, was even more flattering. He speculated that, had Lee lived in another time and another place, he might have "attained the world stature of a Churchill, a Disraeli, or a Gladstone." This tag line of a big man on a small stage has been attached to Lee since the 1970s. Today, however, his stage does not look quite so small. Singapore's per capita GNP is now higher than that of its erstwhile colonizer, Great Britain. It has the world's busiest port, is the third-largest oil refiner and a major center of global manufacturing and service industries. And this move from poverty to plenty has taken place within one generation. In 1965 Singapore ranked economically with Chile, Argentina and Mexico; today its per capita GNP is four or five times theirs.

Lee managed this miraculous transformation in Singapore's economy while maintaining tight political control over the country; Singapore's government can best be described as a "soft" authoritarian regime, and at times it has not been so soft. He was prime minister of Singapore from its independence in 1959 (it became part of a federation with Malaysia in 1963 but was expelled in 1965) until 1990,

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when he allowed his deputy to succeed him. He is now "Senior Minister" and still commands enormous influence and power in the country. Since his retirement, Lee has embarked on another career of sorts as a world-class pundit, speaking his mind with impolitic frankness. And what is often on his mind is American-style democracy and its perils. He travels often to East Asian capitals from Beijing to Hanoi to Manila dispensing advice on how to achieve economic growth while retaining political stability and control. It is a formula that the governing elites of these countries are anxious to learn.

The rulers of former British colonies have been spared the embarrassment of building grandiose monuments to house their offices; they simply occupy the ones that the British built. So it is with Singapore. The president, prime minister and senior minister work out of *Istana* (palace), the old colonial governor's house, a gleaming white bungalow surrounded by luxuriant lawns. The interior is modern—light wood paneling and leather sofas. The atmosphere is hushed. I waited in a large anteroom for the "SM," which is how everybody refers to Lee. I did not wait long. The SM was standing in the middle of a large, sparsely furnished office. He is of medium build. His once-compact physique is now slightly shrunken. Still, he does not look 70.

Lee Kuan Yew is unlike any politician I have met. There were no smiles, no jokes, no bonhomie. He looked straight at me—he has an inexpressive face but an intense gaze—shook hands and motioned toward one of the room's pale blue leather sofas (I had already been told by his press secretary on which one to sit). After 30 awkward seconds, I realized that there would be no small talk. I pressed the record button on my machine.

FZ: With the end of the Cold War, many Americans were surprised to hear growing criticism of their political and economic and social system from elites in East Asia, who were considered staunchly pro-American. What, in your view, is wrong with the American system?

LKY: It is not my business to tell people what's wrong with their system. It is my business to tell people not to foist their system indiscriminately on societies in which it will not work.

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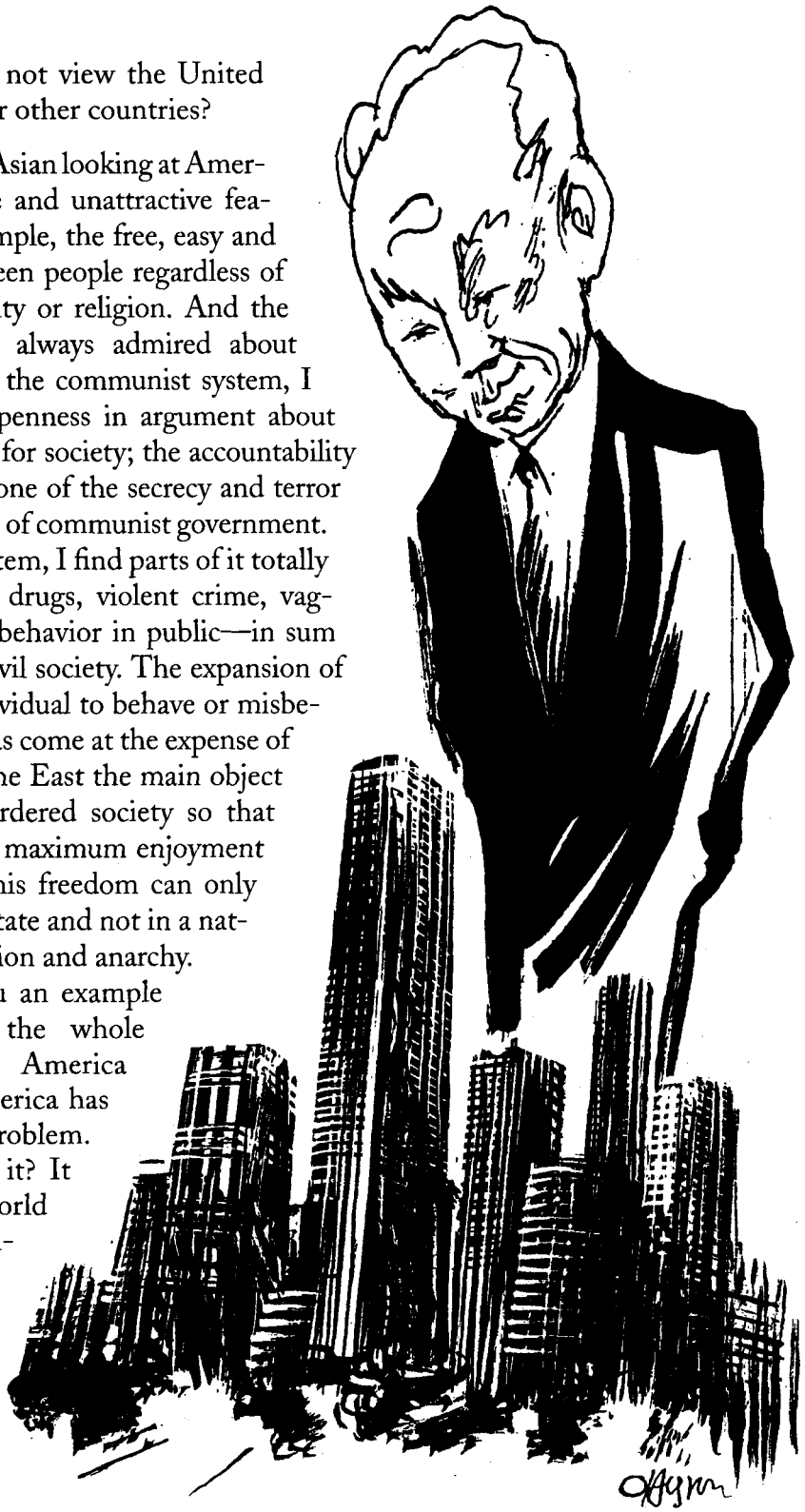
FZ: But you do not view the United States as a model for other countries?

LKY: As an East Asian looking at America, I find attractive and unattractive features. I like, for example, the free, easy and open relations between people regardless of social status, ethnicity or religion. And the things that I have always admired about America, as against the communist system, I still do: a certain openness in argument about what is good or bad for society; the accountability of public officials; none of the secrecy and terror that's part and parcel of communist government.

But as a total system, I find parts of it totally unacceptable: guns, drugs, violent crime, vagrancy, unbecoming behavior in public—in sum the breakdown of civil society. The expansion of the right of the individual to behave or misbehave as he pleases has come at the expense of orderly society. In the East the main object is to have a well-ordered society so that everybody can have maximum enjoyment of his freedoms. This freedom can only exist in an ordered state and not in a natural state of contention and anarchy.

Let me give you an example that encapsulates the whole difference between America and Singapore. America has a vicious drug problem. How does it solve it? It goes around the world helping other anti-narcotic agencies to try and stop the suppliers. It pays for helicopters, defoliating agents and so



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on. And when it is provoked, it captures the president of Panama and brings him to trial in Florida. Singapore does not have that option. We can't go to Burma and capture warlords there. What we can do is to pass a law which says that any customs officer or policeman who sees anybody in Singapore behaving suspiciously, leading him to suspect the person is under the influence of drugs, can require that man to have his urine tested. If the sample is found to contain drugs, the man immediately goes for treatment. In America if you did that it would be an invasion of the individual's rights and you would be sued.

Westerners have abandoned an ethical basis for society, believing that all problems are solvable by a good government.

I was interested to read Colin Powell, when he was chairman of the Joint Chiefs of Staff, saying that the military followed our approach because when a recruit signs up he agrees that he can be tested. Now, I would have thought this kind of approach would be quite an effective way to deal with the terrible drug problem you have. But the idea of the inviolability of the individual has been turned into dogma. And yet nobody minds when the army goes and captures the president of another state and brings him to Florida and puts him in jail. I find that incomprehensible. And in any case this approach will not solve America's drug problem. Whereas Singapore's way, we may not solve it, but we will lessen it considerably, as we have done.

FZ: Would it be fair to say that you admired America more 25 years ago? What, in your view, went wrong?

LKY: Yes, things have changed. I would hazard a guess that it has a lot to do with the erosion of the moral underpinnings of a society and the diminution of personal responsibility. The liberal, intellectual tradition that developed after World War II claimed that human beings had arrived at this perfect state where everybody would be better off if they were allowed to do their own thing and flourish. It has not worked out, and I doubt if it will. Certain basics about human nature do not change. Man needs a certain moral sense of right and wrong. There is such a thing called evil, and it is not the result of being a victim of society. You are just an evil man, prone to do evil things, and you have to be stopped from doing them. Westerners have abandoned an ethical basis for society, believing that all problems are solvable by a good government, which we in the East never believed possible.

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FZ: Is such a fundamental shift in culture irreversible?

LKY: No, it is a swing of the pendulum. I think it will swing back. I don't know how long it will take, but there's already a backlash in America against failed social policies that have resulted in people urinating in public, in aggressive begging in the streets, in social breakdown.

THE ASIAN MODEL

FZ: You say that your real concern is that this system not be foisted on other societies because it will not work there. Is there another viable model for political and economic development? Is there an "Asian model"?

LKY: I don't think there is an Asian model as such. But Asian societies are unlike Western ones. The fundamental difference between Western concepts of society and government and East Asian concepts—when I say East Asians, I mean Korea, Japan, China, Vietnam, as distinct from Southeast Asia, which is a mix between the Sinic and the Indian, though Indian culture also emphasizes similar values—is that Eastern societies believe that the individual exists in the context of his family. He is not pristine and separate. The family is part of the extended family, and then friends and the wider society. The ruler or the government does not try to provide for a person what the family best provides.

In the West, especially after World War II, the government came to be seen as so successful that it could fulfill all the obligations that in less modern societies are fulfilled by the family. This approach encouraged alternative families, single mothers for instance, believing that government could provide the support to make up for the absent father. This is a bold, Huxleyan view of life, but one from which I as an East Asian shy away. I would be afraid to experiment with it. I'm not sure what the consequences are, and I don't like the consequences that I see in the West. You will find this view widely shared in East Asia. It's not that we don't have single mothers here. We are also caught in the same social problems of change when we educate our women and they become independent financially and no longer need to put up with unhappy marriages. But there is grave disquiet when we break away from tested norms, and the tested norm is the family unit. It is the building brick of society.

There is a little Chinese aphorism which encapsulates this idea: *Xiushen qijia zhiguo pingtianxia. Xiushen* means look after yourself, cultivate yourself, do everything to make yourself useful; *Qijia,* look after the family; *Zhiguo,* look after your country; *Pingtianxia,* all is peaceful under

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heaven. We have a whole people immersed in these beliefs. My granddaughter has the name *Xiu-qi*. My son picked out the first two words, instructing his daughter to cultivate herself and look after her family. It is the basic concept of our civilization. Governments will come, governments will go, but this endures. We start with self-reliance. In the West today it is the opposite. The government says give me a popular mandate and I will solve all society's problems.

FZ: What would you do instead to address America's problems?

LKY: What would I do if I were an American? First, you must have order in society. Guns, drugs and violent crime all go together, threatening social order. Then the schools; when you have violence in schools, you are not going to have education, so you've got to put that right. Then you have to educate rigorously and train a whole generation of skilled, intelligent, knowledgeable people who can be productive. I would start off with basics, working on the individual, looking at him within the context of his family, his friends, his society. But the Westerner says I'll fix things at the top. One magic formula, one grand plan. I will wave a wand and everything will work out. It's an interesting theory but not a proven method.

BACK TO BASICS

FZ: You are very skeptical of government's ability to solve deeper social issues. But you're more confident, certainly than many Americans are, in the government's ability to promote economic growth and technological advancement. Isn't this a contradiction?

LKY: No. We have focused on basics in Singapore. We used the family to push economic growth, factoring the ambitions of a person and his family into our planning. We have tried, for example, to improve the lot of children through education. The government can create a setting in which people can live happily and succeed and express themselves, but finally it is what people do with their lives that determines economic success or failure. Again, we were fortunate we had this cultural backdrop, the belief in thrift, hard work, filial piety and loyalty in the extended family, and, most of all, the respect for scholarship and learning.

There is, of course, another reason for our success. We have been able to create economic growth because we facilitated certain changes while we moved from an agricultural society to an industrial society. We had

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the advantage of knowing what the end result should be by looking at the West and later Japan. We knew where we were, and we knew where we had to go. We said to ourselves, "Let's hasten, let's see if we can get there faster." But soon we will face a different situation. In the near future, all of us will get to the stage of Japan. Where do we go next? How do we hasten getting there when we don't know where we're going? That will be a new situation.

FZ: Some people say that the Asian model is too rigid to adapt well to change. The sociologist Mancur Olson argues that national decline is caused most fundamentally by sclerosis—the rigidity of interest groups, firms, labor, capital and the state. An American-type system that is very flexible, laissez-faire and constantly adapting is better suited to the emerging era of rapid change than a government-directed economic policy and a Confucian value system.

LKY: That is an optimistic and attractive philosophy of life, and I hope it will come true. But if you look at societies over the millennia you find certain basic patterns. American civilization from the Pilgrim fathers on is one of optimism and the growth of orderly government. History in China is of dynasties which have risen and fallen, of the waxing and waning of societies. And through all that turbulence, the family, the extended family, the clan, has provided a kind of survival raft for the individual. Civilizations have collapsed, dynasties have been swept away by conquering hordes, but this life raft enables the civilization to carry on and get to its next phase.

Nobody here really believes that the government can provide in all circumstances. The government itself does not believe it. In the ultimate crisis, even in earthquakes and typhoons, it is your human relationships that will see you through. So the thesis you quote, that the government is always capable of reinventing itself in new shapes and forms, has not been proven in history. But the family and the way human relationships are structured, do increase the survival chances of its members. That has been tested over thousands of years in many different situations.

THE CULTURE OF SUCCESS

FZ: A key ingredient of national economic success in the past has been a culture of innovation and experimentation. During their rise to great wealth and power the centers of growth—Venice, Holland, Britain, the

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United States—all had an atmosphere of intellectual freedom in which new ideas, technologies, methods and products could emerge. In East Asian countries, however, the government frowns upon an open and free wheeling intellectual climate. Leaving aside any kind of human rights questions this raises, does it create a productivity problem?

LKY: Intellectually that sounds like a reasonable conclusion, but I'm not sure things will work out this way. The Japanese, for instance, have not been all that disadvantaged in creating new products. I think that if governments are aware of your thesis and of the need to test out new areas, to break out of existing formats, they can counter the trend. East Asians, who all share a tradition of strict discipline, respect for the teacher, no talking back to the teacher and rote learning, must make sure that there is this random intellectual search for new technologies and products. In any case, in a world where electronic communications are instantaneous, I do not see anyone lagging behind. Anything new that happens spreads quickly, whether it's superconductivity or some new life-style.

FZ: Would you agree with the World Bank report on East Asian economic success, which I interpret to have concluded that all the governments that succeeded got fundamentals right—encouraging savings and investment, keeping inflation low, providing high-quality education. The tinkering of industrial policies here and targeting sectors there was not as crucial an element in explaining these countries' extraordinary economic growth as were these basic factors.

LKY: I think the World Bank had a very difficult job. It had to write up these very, very complex series of situations. But there are cultural factors which have been lightly touched over, which deserved more weightage. This would have made it a more complex study and of less universal application, but it would have been more accurate, explaining the differences, for example, between the Philippines and Taiwan.

FZ: If culture is so important, then countries with very different cultures may not, in fact, succeed in the way that East Asia did by getting economic fundamentals right. Are you not hopeful for the countries around the world that are liberalizing their economies?

LKY: Getting the fundamentals right would help, but these societies will not succeed in the same way as East Asia did because certain driving forces will be absent. If you have a culture that doesn't place much value

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in learning and scholarship and hard work and thrift and deferment of present enjoyment for future gain, the going will be much slower.

But, you know, the World Bank report's conclusions are part of the culture of America and, by extension, of international institutions. It had to present its findings in a bland and universalizable way, which I find unsatisfying because it doesn't grapple with the real problems. It makes the hopeful assumption that all men are equal, that people all over the world are the same. They are not. Groups of people develop different characteristics when they have evolved for thousands of years separately. Genetics and history interact. The Native American Indian is genetically of the same stock as the Mongoloids of East Asia—the Chinese, the Koreans and the Japanese. But one group got cut off after the Bering Straits melted away. Without that land bridge they were totally isolated in America for thousands of years. The other, in East Asia, met successive invading forces from Central Asia and interacted with waves of people moving back and forth. The two groups may share certain characteristics, for instance if you measure the shape of their skulls and so on, but if you start testing them you find that they are different, most particularly in their neurological development, and their cultural values.

The World Bank report makes the hopeful assumption that all men are equal. They are not.

Now if you gloss over these kinds of issues because it is politically incorrect to study them, then you have laid a land mine for yourself. This is what leads to the disappointments with social policies, embarked upon in America with great enthusiasm and expectations, but which yield such meager results. There isn't a willingness to see things in their stark reality. But then I am not being politically correct.

FZ: Culture may be important, but it does change. The Asian "model" may prove to be a transitional phenomenon. After all, Western countries also went through a period in the eighteenth and nineteenth centuries when they were capitalist and had limited participatory democracy. Elites then worried—as you do today—that "too much" democracy and "too many" individual rights would destabilize social order. But as these societies modernized and as economic growth spread to all sections of society, things changed. Isn't East Asia changing because of a growing middle class that demands a say in its own future?

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LKY: There is acute change in East Asia. We are agricultural societies that have industrialized within one or two generations. What happened in the West over 200 years or more is happening here in about 50 years or less. It is all crammed and crushed into a very tight time frame, so there are bound to be dislocations and malfunctions. If you look at the fast-growing countries—Korea, Thailand, Hong Kong, and Singapore—there's been one remarkable phenomenon: the rise of religion. Koreans have taken to Christianity in large numbers, I think some 25 percent. This is a country that was never colonized by a Christian nation. The old customs and religions—ancestor worship, shamanism—no longer completely satisfy. There is a quest for some higher explanations about man's purpose, about why we are here. This is associated with periods of great stress in society. You will find in Japan that every time it goes through a period of stress new sects crop up and new religions proliferate. In Taiwan—and also in Hong Kong and Singapore—you see a rise in the number of new temples; Confucianist temples, Taoist temples and many Christian sects.

We are all in the midst of very rapid change and at the same time we are all groping towards a destination which we hope will be identifiable with our past. We have left the past behind and there is an underlying unease that there will be nothing left of us which is part of the old. The Japanese have solved this problem to some extent. Japan has become an industrial society, while remaining essentially Japanese in its human relations. They have industrialized and shed some of their feudal values. The Taiwanese and the Koreans are trying to do the same. But whether these societies can preserve their core values and make this transition is a problem which they alone can solve. It is not something Americans can solve for them. Therefore, you will find people unreceptive to the idea that they be Westernized. Modernized, yes, in the sense that they have accepted the inevitability of science and technology and the change in the lifestyles they bring.

FZ: But won't these economic and technological changes produce changes in the mind-sets of people?

LKY: It is not just mind-sets that would have to change but value systems. Let me give anecdotal evidence of this. Many Chinese families in Malaysia migrated in periods of stress, when there were race riots in Malaysia in the 1960s, and they settled in Australia and Canada. They did this for the sake of their children so that they would get a better education in the English language because then Malaysia was switching to

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Malay as its primary language. The children grew up, reached their late teens and left home. And suddenly the parents discovered the emptiness of the whole exercise. They had given their children a modern education in the English language and in the process lost their children altogether. That was a very sobering experience. Something less dramatic is happening in Singapore now because we are not bringing up our children in the same circumstances in which we grew up.

FZ: But these children are absorbing influences different from your generation. You say that knowledge, life-styles, culture all spread rapidly in this world. Will not the idea of democracy and individual rights also spread?

LKY: Let's not get into a debate on semantics. The system of government in China will change. It will change in Korea, Taiwan, Vietnam. It is changing in Singapore. But it will not end up like the American or British or French or German systems. What are we all seeking? A form of government that will be comfortable, because it meets our needs, is not oppressive, and maximizes our opportunities. And whether you have one-man, one-vote or some-men, one vote or other men, two votes, those are forms which should be worked out. I'm not intellectually convinced that one-man, one-vote is the best. We practice it because that's what the British bequeathed us and we haven't really found a need to challenge that. But I'm convinced, personally, that we would have a better system if we gave every man over the age of 40 who has a family two votes because he's likely to be more careful, voting also for his children. He is more likely to vote in a serious way than a capricious young man under 30. But we haven't found it necessary yet. If it became necessary we should do it. At the same time, once a person gets beyond 65, then it is a problem. Between the ages of 40 and 60 is ideal, and at 60 they should go back to one vote, but that will be difficult to arrange.

MULTICULTURAL SCHISMS

FZ: Change is often most threatening when it occurs in multiethnic societies. You have been part of both a multiethnic state that failed and one that has succeeded. Malaysia was unwilling to allow what it saw as a Chinese city-state to be part of it and expelled Singapore from its federation in 1965. Singapore itself, however, exists peacefully as a multiethnic state. Is there a solution for those states that have ethnic and religious groups mixed within them?

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LKY: Each state faces a different set of problems and I would be most reluctant to dish out general solutions. From my own experience, I would say, *make haste slowly.* Nobody likes to lose his ethnic, cultural, religious, even linguistic identity. To exist as one state you need to share certain attributes, have things in common. If you pressure-cook you are in for problems. If you go gently, but steadily, the logic of events will bring about not assimilation, but integration. If I had tried to foist the English language on the people of Singapore I would have faced rebellion all around. If I had tried to foist the Chinese language, I'd have had immediate revolt and disaster. But I offered every parent a choice of English and their mother tongue, in whatever order they chose. By their free choice, plus the rewards of the marketplace over a period of 30 years, we have ended up with English first and the mother tongue second. We have switched one university already established in the Chinese language from Chinese into English. Had this change been forced in five or ten years instead of being done over 30 years—and by free choice—it would have been a disaster.

The peoples of East Asia have learned powerful lessons about the destructiveness of wars.

FZ: This sounds like a live-and-let-live kind of approach. Many Western countries, particularly the United States and France, respectively, have traditionally attempted to assimilate people toward a national mainstream—with English and French as the national language, respectively. Today this approach is being questioned, as you know, with some minority groups in the United States and France arguing for "multiculturalism," which would allow distinct and unassimilated minority groups to coexist within the nation. How does this debate strike you as you read about it in Singapore?

LKY: You cannot have too many distinct components and be one nation. It makes interchangeability difficult. If you want complete separateness then you should not come to live in the host country. But there are circumstances where it is wise to leave things be. For instance, all races in Singapore are eligible for jobs and for many other things. But we put the Muslims in a slightly different category because they are extremely sensitive about their customs, especially diet. In such matters one has to find a middle path between uniformity and a certain freedom to be somewhat different. I think it is wise to leave alone questions of fundamental beliefs and give time to sort matters out.

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FZ: So you would look at the French handling of their Muslim minorities and say "Go slow, don't push these people so hard."

LKY: I would not want to say that because the French having ruled Algeria for many years know the kind of problems that they are faced with. My approach would be, if some Muslim girl insists on coming to school with her headdress on and is prepared to put up with that discomfort, we should be prepared to put up with the strangeness. But if she joined the customs or immigration department where it would be confusing to the millions of people who stream through to have some customs officer looking different, she must wear the uniform. That approach has worked in Singapore so far.

IS EUROPE'S PAST ASIA'S FUTURE?

FZ: Let me shift gears somewhat and ask you some questions about the international climate in East Asia. The part of the world you live in is experiencing the kind of growth that the West has experienced for the last 400 years. The West has not only been the world's great producer of wealth for four centuries, it has also been the world's great producer of war. Today East Asia is the locus of great and unsettling growth, with several newly rising powers close to each other, many with different political systems, historical animosities, border disputes, and all with ever-increasing quantities of arms. Should one look at this and ask whether Europe's past will be East Asia's future?

LKY: No, it's too simplistic. One reason why growth is likely to last for many years in East Asia—and this is just a guess—is that the peoples and the governments of East Asia have learned some powerful lessons about the viciousness and destructiveness of wars. Not only full-scale wars like in Korea, but guerrilla wars as in Vietnam, in Cambodia and in the jungles of Malaysia, Thailand, Indonesia and the Philippines. We all know that the more you engage in conflict, the poorer and the more desperate you become. Visit Cambodia and Vietnam; *the world just passed them by.* That lesson will live for a very long time, at least as long as this generation is alive.

FZ: The most unsettling change in an international system is the rise of a new great power. Can the rise of China be accommodated into the East Asian order? Isn't that kind of growth inevitably destabilizing?

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LKY: I don't think we can speak in terms of just the East Asian order. The question is: Can the world develop a system in which a country the size of China becomes part of the management of international peace and stability? Sometime in the next 20 or 30 years the world, by which I mean the major powers, will have to agree among themselves how to manage peace and stability, how to create a system that is both viable and fair. Wars between small countries won't destroy the whole world, but will only destroy themselves. But big conflicts between big powers will destroy the world many times over. That's just too disastrous to contemplate.

At the end of the last war what they could foresee was the United Nations. The hope was that the permanent five would maintain the rule of law or gradually spread the rule of law in international relations. It did not come off because of Stalin and the Cold War. This is now a new phase. The great powers—by which I mean America, Western Europe as a group if they become a union, Japan, China and, in 20 to 30 years time, the Russian republic—have got to find a balance between themselves. I think the best way forward is through the United Nations. It already has 48 years of experience. It is imperfect, but what is the alternative? You can not have a consortium of five big powers lording it over the rest of mankind. They will not have the moral authority or legitimacy to do it. Are they going to divide the world into five spheres of influence? So they have to fall back on some multilateral framework and work out a set of rules that makes it viable. There may be conflicts of a minor nature, for instance between two Latin American countries or two small Southeast Asian countries; that doesn't really matter. Now if you have two big countries in South Asia like India and Pakistan and both with nuclear capabilities, then something has to be done. It is in that context that we have to find a place for China when it becomes a major economic and military power.

FZ: Is the Chinese regime stable? Is the growth that's going on there sustainable? Is the balancing act between economic reform and political control that Deng Xiaoping is trying to keep going sustainable after his death?

LKY: The regime in Beijing is more stable than any alternative government that can be formed in China. Let us assume that the students had carried the day at Tiananmen and they had formed a government. The same students who were at Tiananmen went to France and America. They've been quarreling with each other ever since. What kind of China

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would they have today? Something worse than the Soviet Union. China is a vast, disparate country; there is no alternative to strong central power.

FZ: Do you worry that the kind of rapid and unequal growth taking place in China might cause the country to break up?

LKY: First, the economy is growing everywhere, even in Sichuan, in the heart of the interior. Disparate growth rates are inevitable. It is the difference between, say, California before the recession and the Rust Belt. There will be enormous stresses because of the size of the country and the intractable nature of the problems—the poor infrastructure, the weak institutions, the wrong systems that they have installed, modeling themselves upon the Soviet system in Stalin's time. Given all those handicaps, I am amazed that they have got so far.

The Japanese have a cultural trait, whatever they do they carry it to the nth degree.

FZ: What about the other great East Asian power? If Japan continues on the current trajectory, should the world encourage the expansion of its political and military responsibilities and power?

LKY: No. I know that the present generation of Japanese leaders do not want to project power. I'm not sure what follows when leaders born after the war take charge. I doubt if there will be a sudden change. If Japan can carry on with its current policy, leaving security to the Americans and concentrating on the economic and the political, the world will be better off. And the Japanese are quite happy to do this. It is when America feels that it's too burdensome and not worth the candle to be present in East Asia to protect Japan that it will have to look after its own security. When Japan becomes a separate player, it is an extra joker in the pack of cards.

FZ: You've said recently that allowing Japan to send its forces abroad is like giving liquor to an alcoholic.

LKY: The Japanese have always had this cultural trait, that whatever they do they carry it to the nth degree. I think they know this. I have Japanese friends who have told me this. They admit that this is a problem with them.

FZ: What if Japan did follow the trajectory that most great powers

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have; that it was not content simply to be an economic superpower, "a bank with a flag" in a writer's phrase? What if they decided they wanted to have the ultimate mark of a great power—nuclear weapons? What should the world do?

LKY: If they decided on that the world will not be able to stop them. You are unable to stop North Korea. Nobody believes that an American government that could not sustain its mission in Somalia because of an ambush and one television snippet of a dead American pulled through the streets in Mogadishu could contemplate a strike on North Korean nuclear facilities like the Israeli strike on Iraq. Therefore it can only be sanctions in the U.N. Security Council. That requires that there be no vetoes. Similarly, if the Japanese decide to go nuclear, I don't believe you will be able to stop them. But they know that they face a nuclear power in China and in Russia, and so they would have to posture themselves in such a way as not to invite a preemptive strike. If they can avoid a preemptive strike then a balance will be established. Each will deter the others.

FZ: So it's the transition period that you are worried about.

LKY: I would prefer that the matter never arises and I believe so does the world. Whether the Japanese go down the military path will depend largely on America's strength and its willingness to be engaged.

VIVE LA DIFFERENCE

FZ: Is there some contradiction here between your role as a politician and your new role as an intellectual, speaking out on all matters? As a politician you want America as a strong balancer in the region, a country that is feared and respected all over the world. As an intellectual, however, you choose to speak out forcefully against the American model in a way that has to undermine America's credibility abroad.

LKY: That's preposterous. The last thing I would want to do is to undermine her credibility. America has been unusual in the history of the world, being the sole possessor of power—the nuclear weapon—and the one and only government in the world unaffected by war damage whilst the others were in ruins. Any old and established nation would have ensured its supremacy for as long as it could. But America set out to put her defeated enemies on their feet, to ward off an evil force, the Soviet Union, brought about technological change by transferring technology generously and

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freely to Europeans and to Japanese, and enabled them to become her challengers within 30 years. By 1975 they were at her heels. That's unprecedented in history. There was a certain greatness of spirit born out of the fear of communism plus American idealism that brought that about. But that does not mean that we all admire everything about America.

Let me be frank; if we did not have the good points of the West to guide us, we wouldn't have got out of our backwardness. We would have been a backward economy with a backward society. But we do not want all of the West.

A CODA ON CULTURE

THE DOMINANT THEME throughout our conversation was culture. Lee returned again and again to his views on the importance of culture and the differences between Confucianism and Western values. In this respect, Lee is very much part of a trend. Culture is in. From business consultants to military strategists, people talk about culture as the deepest and most determinative aspect of human life.

I remain skeptical. If culture is destiny, what explains a culture's failure in one era and success in another? If Confucianism explains the economic boom in East Asia today, does it not also explain that region's stagnation for four centuries? In fact, when East Asia seemed immutably poor, many scholars—most famously Max Weber—made precisely that case, arguing that Confucian-based cultures discouraged all the attributes necessary for success in capitalism. Today scholars explain how Confucianism emphasizes the essential traits for economic dynamism. Were Latin American countries to succeed in the next few decades, we shall surely read encomiums to Latin culture. I suspect that since we cannot find one simple answer to why certain societies succeed at certain times, we examine successful societies and search within their cultures for the seeds of success. Cultures being complex, one finds in them what one wants.

What explains Lee Kuan Yew's fascination with culture? It is not something he was born with. Until his thirties he was called "Harry" Lee (and still is by family and friends). In the 1960s the British foreign secretary could say to him, "Harry, you're the best bloody Englishman east of the Suez." This is not a man untouched by the West. Part of his

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interest in cultural differences is surely that they provide a coherent defense against what he sees as Western democratic imperialism. But a deeper reason is revealed in something he said in our conversation: "We have left the past behind, and there is an underlying unease that there will be nothing left of us which is part of the old."

Cultures change. Under the impact of economic growth, technological change and social transformation, no culture has remained the same. Most of the attributes that Lee sees in Eastern cultures were once part of the West. Four hundred years of economic growth changed things. From the very beginning of England's economic boom, many Englishmen worried that as their country became rich it was losing its moral and ethical base. "Wealth accumulates and men decay," wrote Oliver Goldsmith in 1770. It is this "decay" that Lee is trying to stave off. He speaks of the anxious search for religion in East Asia today, and while he never says this, his own quest for a Confucian alternative to the West is part of this search.

But to be modern without becoming more Western is difficult; the two are not wholly separable. The West has left a mark on "the rest," and it is not simply a legacy of technology and material products. It is, perhaps most profoundly, in the realm of ideas. At the close of the interview Lee handed me three pages. This was, he explained, to emphasize how alien Confucian culture is to the West. The pages were from the book *East Asia: Tradition and Transformation,* by John Fairbank, an American scholar.

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Reviews

THE BETTMANN ARCHIVE

When burning marks was cheaper than buying tinder

"What is the basis of Germany's attraction to monetary stability? The trauma of seeing its currency debauched twice in 30 years."

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Review Essay

Following the Bundesbank

The Spread of Central Bank Independence

Sam Y. Cross

The Most Powerful Bank: Inside Germany's Bundesbank. BY DAVID MARSH. New York: Times Books, 1993, 331 pp. $25.00.

Three to four decades ago, it was commonplace to speak about the marked difference between Great Britain, which had a deeply entrenched fear of unemployment, and Germany, which had a deeply entrenched fear of inflation, and the effect of those contrasting national attitudes on public policy. Since those days, with the independent Bundesbank playing a powerful role, Germany has greatly strengthened its reputation for resisting inflation and safeguarding the currency. Meanwhile the United Kingdom, for better or for worse, has grown accustomed to levels of unemployment far in excess of what the nation would have thought desirable or even tolerable in those earlier periods and, like many other nations, is now considering fundamental moves toward central bank independence in the hope of capturing the benefits of price stability for its economy.

Indeed, a wave of change toward greater independence for central banks is sweeping across the globe. In Europe, central bank independence has become a prerequisite for participating in the final stages of monetary union; major structural changes for independence are in place or have been proposed in Belgium, Italy, France and Spain. With its reorientation toward open economies and market-based policies that has followed the debt crisis, Latin America has seen major moves toward greater central bank authority or independence in Chile, Venezuela and Mexico, and the process has begun in Argentina. The transitional economies of Eastern Europe are experimenting with alternative approaches. New Zealand has

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introduced an imaginative scheme for targeting inflation. South Africa has fortified the powers of its central bank. China is drafting comprehensive bank legislation. The list goes on.

Against this background, to read a detailed account of the activities and inner workings of Germany's Bundesbank, whose name has long been synonymous with central bank independence and the fight for sound money, is especially timely. In *The Most Powerful Bank,* David Marsh has written a readable, comprehensive and extremely engaging account of the activities of the Bundesbank and the policy debates surrounding it. As European Editor of the *Financial Times,* he has benefited from extensive interviews with scores of major and minor participants, but he has also probed the historical records of the Bundesbank and its predecessor bodies back through the Hitler, Weimar and empire periods to the origins of central banking in Germany. If Marsh exaggerates the significance of the continuity and connections between Hitler's Reichsbank and the Bundesbank, his analysis of more recent and current policy issues is balanced, fair and informed.

Not all of it is flattering. He writes, "The Bundesbank has replaced the Wehrmacht as Germany's best-known and most feared institution," holding sway across "a larger area of Europe than any German Reich," and "those who trifle with the Bundesbank do so at their peril." For example, he says that the economic clout of the Bundesbank council became "painfully obvious during 1992," when the United Kingdom and Italy had to quit the Exchange Rate Mechanism.

THE CHANGE IN THINKING

Former Federal Reserve Chairman Paul Volcker has commented on the major turnaround in thinking that has occurred since the early years after World War II when many central banks were losing autonomy. He described "the cumulative and eventually debilitating effects of the then widely accepted idea . . . that some inflation could reasonably be accepted as a price for stimulating growth in employment and production." The process "may work for a while—until the public begins to anticipate the inflation, and by its own actions accelerate the process." Then the stimulus is gone, and speculative excesses in domestic and international markets are encouraged. That was "the lesson of the 1970s and early 1980s," which has provided "the essential public support for the sustained effort in Europe, in North and now South America, and in other countries to restore price and monetary stability."

Charles Goodhart has described this change in more technical terms. He notes that "the basic ideas which have driven the case for independence have been provided by economic theory." In the 1950s and 1960s, thinking behind the Phillips curve, which posited a negative relation between inflation and unemployment, suggested that governments "could choose an optimal combination, or trade-off" between those two indexes. But by the 1970s, as the expectation of inflation caught up with the reality, the rate of inflation consistent with any level of unemployment kept on rising. The result was "stagflation"—

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a record of poor price performance without achieving employment goals. It became apparent that in the long term there was no Phillips curve trade-off. Goodhart describes another concept that supports independence—time inconsistency—which holds that if a public knows that its government can switch policies when it is politically convenient (say from tight money to easy money to win an election), government commitments will not be believed, and the public will behave in ways that undermine stated policy goals. Finally, he points out that the move toward central bank independence is not based only on theory: "A whole series of econometric/statistical tests have shown that countries with more independent central banks have had generally lower inflation rates, led by Germany and the Bundesbank," and countries that have recently adopted independent central banks, such as Chile and New Zealand, "have moved from the bottom of their class toward being best performers."

Adam Posen has raised a fundamental question, applicable to all countries, of whether a causal link connects central bank independence to low inflation. He argues that the strength of political support for low inflation is responsible for both central bank independence and low inflation, and he attributes this political support to the influence of a narrow interest group—the financial or banking sector. Others agree on the importance of political support for central bank independence but contend that public opinion both provides support for central bank independence and is influenced by the actions and successes of the central bank in a positive association that can foster price stability.

HOW DO THE GERMANS DO IT?

Marsh discusses one question that has long intrigued observers: Just what is the basis for the German nation's profound attraction to and support for monetary stability? Clearly that seemingly invulnerable foundation of public support is a powerful booster of the Bundesbank's influence and success.

Most Germans have conventionally said that this attitude reflects Germany's unique history—the trauma of seeing its currency debauched and savings destroyed twice in 30 years, including the unparalleled experience of the early 1920s, when prices increased by two billionfold in a single year and the mark was devalued to one trillionth its prewar level. Marsh goes even further, arguing that the roots of the Germanic attention to stability extend not only to the two hyperinflations but "go deeper, to the concept of order as the foundation of state power." The view is that "stable money brings stable government, and stable government brings a stable society." In one of the passages stressing the ties with the 1930s he asserts:

> For a land with shifting boundaries and a contorted history, the stable mark allows an escape from past traumas; it establishes one fixed point in an ocean of flux and change. The yearning for sound money was as strong in the 1930s as it is today. The Reichsbank carried out the will of a totalitarian state; the Bundesbank serves a democracy. But both were allotted the same statutory objective. Taken fully under Hitler's control in 1939, the Reichsbank was placed, for the first time, under the legal obligation to "safeguard

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the currency." When the Bundesbank was set up . . . it was legally enjoined to pursue "the aim of safeguarding the currency."

As Marsh vividly illustrates, the Bundesbank has broad public support in monetary policy disputes with the government. In one incident, in 1979 Manfred Lahnstein attended a Bundesbank council meeting for the Finance Ministry and unsuccessfully contested a modest interest rate increase favored by the Bundesbank. A decade later, "Lahnstein admitted that he realized all along that making a public stand against the Bundesbank was a losing battle." In fact Marsh says the action stigmatized the government in the eyes of public opinion and the conservative press as being "on the wrong side of sound money."

According to Marsh, about a dozen serious disagreements have arisen between the Bundesbank and the government over interest rates or the exchange rate. On interest rates, the Bundesbank "nearly always got the better part of the squabble." On revaluations, where "in formal terms final decisions rest with the government," more often than not the Bundesbank was "on the winning side." By Marsh's count, three chancellors—Erhard, Kiesinger and Schmidt—owe their downfall directly or indirectly to the Bundesbank. All three were defeated not in general elections, but through "shifts in conditions, sparked by controversies over monetary policy." Even in Willy Brandt's downfall, the Bundesbank played a role.

Marsh concedes that the field in which the Bundesbank can unambiguously apply its independence is "rather narrow"—its competence is "massively concentrated on monetary policy." In assessing the Bundesbank's clout, Marsh acknowledges its limitations in disputes with the government; the government makes "the ultimate decisions" on the exchange rate, he says. Chancellor Helmut Kohl in the end agreed to monetary union with its goal of a single European currency—to anchor the anchor—despite Bundesbank misgivings that were shared, according to Marsh, by "a large majority of the German electorate." And the government, overriding Bundesbank concerns, made the basic decisions (many would say, from the financial view, the basic mistakes) on monetary union with eastern Germany. Of course bank power has limits: "No central bank, whatever its independence, operates in an environment free of political complications. The crucial condition for successful monetary policies is that they are understood and supported by the general public."

THE SPREAD OF BANK INDEPENDENCE

Central bank independence has traditionally been greatest in Germany, Switzerland and the United States, three states of federalist structure with some separation of powers. The United Kingdom looks at the issue of central bank independence from its particular perspective—as a parliamentary democracy with a unitary rather than a federal structure and no tradition of separation of powers, and as a country with an inflation record over the postwar period that is far from admirable. An independent panel decided against recommending a "generalized" mandate of the Bundesbank model, feeling that it relied too heavily on the Bundesbank's unques-

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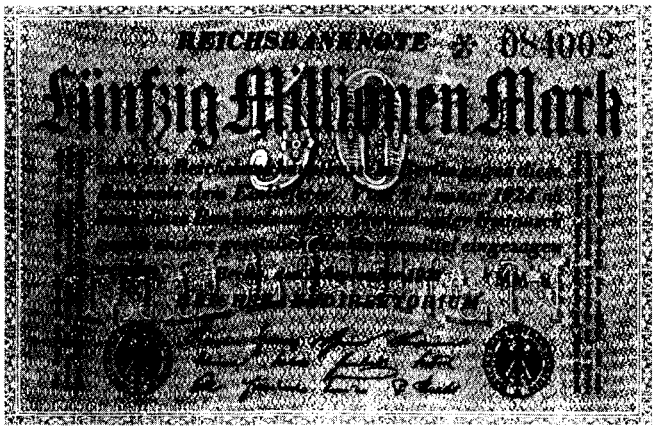
tioned credibility and the German electorate's strong support of price stability, and that it was not appropriate for Britain. The panel chose instead a model with a more precise numerical inflation target, closer to the approach of New Zealand, a country whose anti-inflation credentials, like Britain's, were not so firmly established. It recommended that "price stability" be the sole statutory objective of the Bank of England and that the bank formulate and announce short-run targets for inflation and control short-term interest rates. The government could in extremis overrule the bank and resume control of monetary policy but only by parliamentary action to suspend for six months the bank's objective of price stability. In Europe the proposed European Central Bank is patterned on the Bundesbank, and Maastricht adherents may support that model. Beyond that, a variety of forms and features may appear as each nation understandably seeks to take appropriate account of its own circumstances.



THE BETTMANN ARCHIVE

A 50 million mark note, worth less than a cent in November 1923

Surprisingly, today the United States seems to be the only nation in the world where there are serious efforts to swim against the tide and move toward limiting the autonomy and responsibilities of the central bank. Of course control of the Federal Reserve has never been very far below the legislative surface; one study reported that from 1979 to 1990 no fewer than 200 bills were submitted to the U.S. Congress containing 307 proposals on 56 "issues" that would alter the structure of the Federal Reserve System in its conduct of monetary policy. Recent proposals for change have come from both Congress and the Clinton administration. The Federal Reserve has expressed particular concern about proposals to remove it from directly supervising the nation's banks.

A number of eminent bankers have powerfully stated the case against such proposals. In the debate on this same issue ten years ago, Paul Volcker pointed out that those supervisory functions predate and are additional to the more purely monetary functions of open market and foreign-exchange operations. A basic Fed responsibility, and the reason for its founding, was to assure a "stable and smoothly functioning financial payments system" and to "head off and deal with financial disturbances and crises" to the extent possible. Similarly, Fed Chairman Alan Greenspan argues that a hands-on supervisory role is "indispensable" for maintaining the Fed's

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"unparalleled knowledge" of financial systems, markets, institutions and relationships needed to carry out its key responsibilities "at the nexus of monetary policy, the payments system, and bank supervision and regulation." President of the New York Federal Reserve Bank William J. McDonough warns that "sooner or later there will come a crisis," and the Fed will fight "with absolute determination and dedication" to safeguard the economy, but that "Congress should not strip us of the weapons we need—it is simply too dangerous."

The Bundesbank, Marsh reports, has no direct responsibility for bank supervision; the federal bank supervisory office carries out this function. But in fact the federal banking office makes its decisions after consultation with the Bundesbank, helping ensure that the Bundesbank has access to the information it needs. Every central bank must operate within its own environment with its own banking and financial system, national constitution and legal structure, and history and culture, but each central bank must have direct knowledge of and involvement with the banking system in order to carry out its responsibilities effectively.

The precise characteristics of each proposal for central bank autonomy will vary. The crucial question is whether reform will depoliticize the process of money creation and develop the required public determination for monetary stability. Bundesbank Chief Economist Otmar Issing puts the case for central bank autonomy succinctly and fervently: "Resistance to making the central bank independent always reflects the intention of reserving access to money creation to policymakers. *This has never been good for the value of money anywhere.*"

An independent central bank does not guarantee victory over inflation; witness the experience of the Russian central bank in recent years and the nominally independent Reichsbank in 1922-23. Conversely, the experience of Japan and recently of France shows that some governments can bring inflation under control without formal central bank independence. But these are the exceptions. The hope is that during the current period of widespread support for central bank autonomy, when memories of the flawed concepts and failed policies of the past are fresh, positive results will accrue and political support for price stability will grow. If the public sees the benefits of depoliticizing the process of creating money and provides the essential foundation of political support, today's trend toward central bank independence may bring lasting benefits for price and financial stability and will not be a passing fad.

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Review Essay

'Who Are We?'

Two Centuries of American Foreign Relations

Ernest R. May

The Cambridge History of American Foreign Relations. EDITED BY WARREN I. COHEN. 4 vols. $89.95.
Volume 1: The Creation of a Republican Empire, 1776-1865. BY BRADFORD PERKINS. New York: Cambridge University Press, 1993, 243 pp. $24.95.
Volume 2: The American Search for Opportunity, 1865-1913. BY WALTER LAFEBER. New York: Cambridge University Press, 1993, 251 pp. $24.95.
Volume 3: The Globalizing of America, 1913-1945. BY AKIRA IRIYE. New York: Cambridge University Press, 1993, 229 pp. $24.95.
Volume 4: America in the Age of Soviet Power, 1945-1991. BY WARREN I. COHEN. New York: Cambridge University Press, 1993, 271 pp. $24.95.

All political debates oversimplify. American debates about foreign policy oversimplify more than most. Ever since F.D.R., all presidents have branded their opponents "isolationists." Critics of presidents have styled themselves "the peace movement." Even debates about the debates oversimplify, for example by portraying choices as between "realism" and "idealism."

Actual foreign policy issues are rarely so simple. They usually involve complicated trade-offs—marginally greater military security, for example, versus marginally greater resources for domestic investment. American foreign policy issues present peculiar complications. The now-unfashionable doctrine of "American exceptionalism" contains an element of truth. As Bradford Perkins writes in the opening volume of this splendid *Cambridge History of American Foreign Relations:*

> The driving forces in American foreign policy both are and are not like those of other nations. They include the same emphasis on national self-interest, the same intrusion of the larger culture, the

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same distortions—sometimes minor, sometimes substantial—of the view of world events seen through a prism of national but not universal values. But each of these forces, or factors, also has a peculiarly American character.

American foreign policy issues have historically involved one question not asked in the same way elsewhere: Who are we? The French, the Germans and the Japanese may find it hard to decide how far their national interests are coterminous with those of their farmers. Though writers in each country anguish over national identity, France, Germany and Japan have well-defined cultures, with inherited notions of common interest related in various ways to older notions of dynastic interest, confined more or less to people in one area who speak one language. The British self-conception is more vague; differences between Edward Heath and Margaret Thatcher bear witness. But Britain chooses between only two or three personalities (Commonwealth and Empire versus "this earth, this England"). The United States chooses among many.

WHOSE AMERICA?

The American problem of self-definition dates back to the American Revolution. Earlier, Americans had begun, like the Scots, Welsh and some Irish, to think of themselves as Britons. While they agitated for London to pay more attention to their local concerns, they spoke of the interests of the crown as "our interests."

After the Revolution, Americans never settled into a comparable consensus. Even now, many Americans think of the United States less as a nation than as a kind of alliance. The federal system nourishes such a conception. Until the Civil War, "the United States" was customarily a plural noun. Only since the 1860s have Americans said, "The United States *is* . . ." In the 1990s, with regard to trade agreements, many members of Congress say openly that their duty is to defend their districts or states, not the interests of the nation as a whole.

For other Americans, the United States has been more than a nation. Thomas Jefferson saw a community of interest among republics. To some Jeffersonians, this community could be one of independent republics. To others, it meant a United States adding cubits to itself, as in the expansionism of the mid-nineteenth century (an early, more literal policy of "enlargement").

A different version of this larger United States found some community of interest wherever it saw an open door for trade and investment. This was less Jefferson's "empire of liberty" than a more old-fashioned empire with a metropolis and dependencies, but it differed from European empires in the extent of commitment to populations nominally entirely independent. Witness Grover Cleveland's threat to go to war with Britain on behalf of Venezuela if Britain refused to arbitrate a boundary dispute or F.D.R.'s stubborn refusal to modify his insistence that Japan respect China's territorial integrity.

Yet another and even larger United States was that of Woodrow Wilson. In Wilson's conception, a community of interest linked all governments committed to peace. To him, peace was a precondition for both democracy and capitalism. As Akira Iriye writes, "Democracy at home and peace abroad

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. . . were two sides of the same coin." Out of this conception grew the staple definition of American interest after World War II: the preservation of "peace-loving nations."

Some Americans, however, thought of the United States as a self-contained nation whose interests were primarily those of the people within its borders. John Quincy Adams is an example. He said of America, "She goes not abroad in search of monsters to destroy. She is the well-wisher to the freedom and independence of all. She is the champion and vindicator only of her own." Later, others held a similarly limited conception of the United States: William Jennings Bryan, Henry Wallace, Robert A. Taft.

The Cambridge History taken as a whole illustrates the extent to which foreign policy debates in the United States have really concerned the definition of the nation. Anti-interventionists of 1917 and 1941 shared John Quincy Adams' conception of America. To them, to go to war in Europe seemed insane. Interventionists had different conceptions, some of which were Jeffersonian or Wilsonian. Insanity to them was to refuse to fight for fellow democracies or other peace-loving peoples. The aftermath of the Cold War finds these competing conceptions still alive.

SEEKING WHAT?

The famous quarrels between Jefferson and Hamilton turned less on differing conceptions of the United States than on differing views of both national self-interest and the ideal future. Hamilton wanted to encourage merchants; Jefferson, his fellow farmers. In later debates over Manifest Destiny or imperialism or intervention in the two world wars, some divisions similarly reflected differences not in national self-conception but in the ranking of national interests—North versus South, ethnic homogeneity versus diversity, or western hemispheric versus European or Asian relationships.

Even the Wilsonian conception of the United States left room for difference. To serve American self-interest, Wilson envisioned a peaceful world where, among other things, people would buy American products instead of wasting money on soldiers. Some Wilsonians objected that Wilson himself accepted too much risk of war and demanded too little change. Summarizing recent, genuinely revisionist scholarship, Iriye describes the Senate "irreconcilables" of 1919 as "more Wilsonian than Wilson himself." William E. Borah, the senator from Idaho who was often mischaracterized as an arch-isolationist, insisted that communist Russia should not be shut out of the society of nations and that the United States should insist on self-determination for colonial peoples.

HOW?

American debates about foreign policy can also turn on differences over how to pursue agreed-upon interests or values. Some of the fiercest contention has occurred when persons otherwise in accord disagreed over whether or when to employ military force. Next in ferocity has been contention over economic coercion, from Jefferson's and Madison's embargo of Britain prior to 1812 to the recent divestment from South Africa.

Iriye's volume highlights changes

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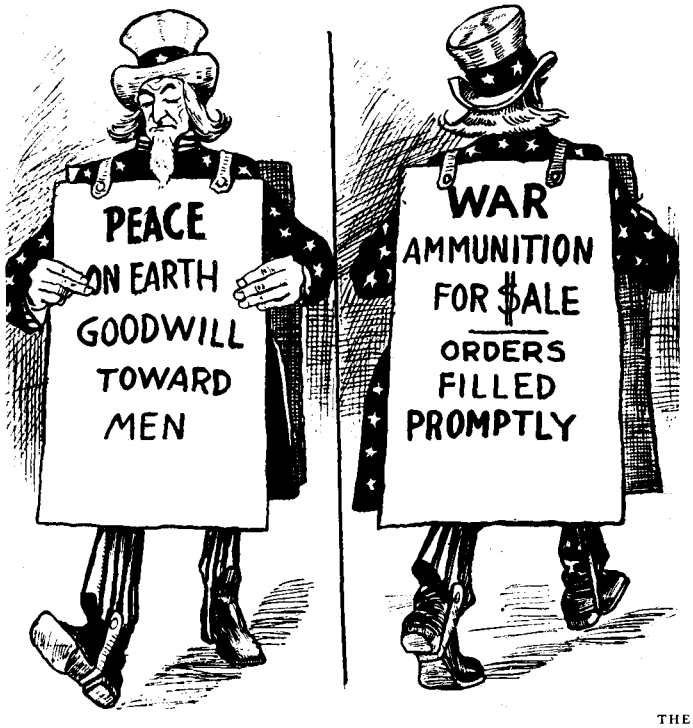

THE BETTMANN ARCHIVE

An ambivalent Uncle Sam, 1916

affecting these tactical debates. He emphasizes that current notions of national power have prevailed only during this century. For a long time Europeans attached as much importance to a regime's legitimacy as to its armies or its treasury. In the nineteenth century, Iriye writes, "Western thought came to lay unusual stress on power. . . . Power often meant control over distant lands. Civilization, another term that was widely used, was synonymous with power; those nations that were more powerful were by definition more civilized, and vice versa."

During the twentieth century, power and civilization ceased to be equated. Instead, power was reduced to coercive capability, conceived as a combination of location, resources and skill. "The emergence of geopolitical-mindedness," Iriye writes, "was a major phenomenon of American intellectual and diplomatic history. The consciousness of power and the readiness to consider war as an instrument of national policy—such a 'realist' response to world affairs was to have a profound impact on the way the American people viewed external events." Debates primarily over means of action, as between go-to-war and short-of-war interventionists in 1941 or Senate factions prior to the Gulf War of 1991, Iriye explains as efforts at "combining geopolitics with Wilsonian internationalism."

Apart from this interesting framework, *The Cambridge History* offers less help in understanding the "how?" debates than in perceiving underlying differences about "who?" or "what?" Taken together, the four volumes provide much the best survey of American diplomatic history ever published. Compared with other surveys of approximately the same overall length like, for example, the once-famous

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textbooks of Samuel Flagg Bemis and Thomas A. Bailey, *The Cambridge History* volumes are remarkable for their attention to (and distance from) American ideology. Though in differing degree, all four volumes treat the United States as one actor in international history. And the international history is global, not just North Atlantic—a fact not surprising since Iriye and Cohen are specialists on American-East Asian relations.

The Cambridge History can nevertheless be faulted if measured against an ideal. This is not necessarily due to the authors. Hoping for textbook use, the publisher may have insisted that the writers not depart too far from the standard syllabus. The result is that the volumes are perhaps more America-centered than most of the authors would have preferred. This quality opens the history as a whole to the reproach of the late Christopher Thorne and other non-American scholars: that all is "America and . . ." The history may also center too much on the State Department.

The Cambridge History is inconsistent in dealing with the United States as a symbol in other countries' debates. Surprisingly little is taken from rich studies such as those of Durand Echeverria and René Rémond on French opinion of America or D. P. Crook's *American Democracy in English Politics* or even Iriye's own writings on Japanese images of America. And after Vol. 1, where Perkins draws on his own studies of British diplomacy, foreign governments figure only fitfully. Though to argue that Konrad Adenauer, Jean Monnet, and Shigeru Yoshida were key shapers of American foreign relations in the 1950s is not farfetched, only Adenauer gets a mention in the volume for 1945-91, and that is but a passing reference.

Bearing especially on the "how?" question is the comparative absence of government officials other than presidents and secretaries of state. Generals and admirals show up infrequently. Secretaries of the Treasury appear only when participating in diplomatic negotiations, as at Bretton Woods. A list of names not in the index of the volume for 1945-91 includes, in alphabetical order, William Casey, Allen Dulles, James Killian, Curtis LeMay, Lauris Norstad, Hyman Rickover, James Schlesinger, Edward Teller, Paul Volcker, and Albert Wohlstetter.

And nongovernmental actors appear randomly or not all. LaFeber, a professor at Cornell but a leading figure in what is called "the Wisconsin School," deals with some American corporations, portraying their exploitative dealings, primarily in Latin America. On the whole however *The Cambridge History* reflects the common bias of American historians and social scientists against acknowledging the truth of Calvin Coolidge's remark, "The chief business of America is business." *The Cambridge History* would more faithfully mirror American foreign relations if it said a great deal more about workaday market relationships.

Nevertheless, for a one-line appraisal of *The Cambridge History*, one cannot do better than to borrow what Groton's headmaster is said to have written about young C. Douglas Dillon: "A plus. Can do better."

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Recent Books on International Relations

Political and Legal

FRANCIS FUKUYAMA

War and the Rise of the Nation-State. BY BRUCE PORTER. New York: Free Press, 1993, 350 pp. $24.95.

This book underlines a fact that historians have long understood, namely that war, for all its devastating consequences, has been a driving force for modernization and played a particularly important role in the creation of the modern nation-state. Porter begins with the familiar story of how military necessity in the sixteenth and seventeenth centuries gave rise to the centralizing monarchies in Europe. The author updates this story by looking at the impact of twentieth-century total war on the strengthening of centralized authority in Europe, Russia and the United States, pointing out that war, often glorified by conservatives, has in the past century vastly accelerated the rise of the collectivist welfare state. While specialists may debate his interpretations of the many historical events portrayed here, this book presents an important thesis in a readable and informative manner.

Ideas & Foreign Policy: Beliefs, Institutions, and Political Change. EDITED BY JUDITH GOLDSTEIN AND ROBERT O. KEOHANE. Ithaca: Cornell University Press, 1993, 308 pp. $37.50 (paper, $14.95).

Only a social scientist could ever have believed that material interests alone drove history and that ideas were only epiphenomenal. In this volume, a group of distinguished social scientists documents the ways in which ideas have taken on lives of their own and played key roles in structuring international relations. Chapters on the postwar economic order, Stalinism, human rights, decolonization and the European Community chronicle the complex way in which ideas and

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material interests interact. Among the most interesting is Stephen Krasner's article debunking the notion that the 1648 Peace of Westphalia marked a decisive break with medieval concepts of sovereignty. One glaring omission: the role of ideas in the collapse of communism.

The Domestic Bases of Grand Strategy. EDITED BY RICHARD ROSECRANCE AND ARTHUR A. STEIN. Ithaca: Cornell University Press, 1993, 230 pp. $36.50 (paper, $13.95).

Like the Goldstein-Keohane volume above, this book is evidence of the fading of the "realist" interpretation of international relations, i.e., the view that all nations strive for power, regardless of regime. It argues for a return to a richer understanding of how and why nations interact, one that is informed by culture, history, economics, ideas and domestic politics. Successive chapters take a wrecking ball to realist theory, showing how in a narrow form it is unable to account for, inter alia, the end of the Cold War, Anglo-German naval competition before World War I, American and British strategy before and after World War II and contemporary nationalism. What is missing is a positive theory linking domestic politics to grand strategy; of the authors, only Chalmers Johnson does so in his familiar view of Japan as a late-industrializing "capitalist developmental state."

Double-Edged Diplomacy: International Bargaining and Domestic Politics. EDITED BY PETER B. EVANS, HAROLD K. JACOBSON AND ROBERT D. PUTNAM. Berkeley: University of California Press, 1993, 490 pp. $50.00 (paper, $15.00).

Providing a somewhat more structured framework than the Rosencrance book for looking at how domestic politics influences international behavior, this dense volume sees international negotiations as, in Robert Putnam's phrase, a "two-level game" in which the negotiators make deals simultaneously with foreign and domestic players. Individual case studies cover not only economic negotiations, where domestic factors are commonly conceded to be predominant, but security and human rights issues as well, in such chapters as Jack Snyder's on East-West bargaining over Germany and Janice Stein's on Camp David. One of the more interesting implications of the findings is that the fields of international relations and comparative politics need to merge, once people stop viewing states as opaque billiard balls. The rigor of the book's analytical framework will make it tough going for nonacademic readers, though the individual chapters are rich in historical detail.

Ethnonationalism: A Quest for Understanding. BY WALKER CONNOR. Princeton: Princeton University Press, 1994, 226 pp. $14.95 (paper, $11.95).

This collection of eight essays published over a 25-year period by one of the leading scholars of ethnonationalism is both highly instructive about the essential nature of the problem and unusually pre-

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scient in its anticipation of the ethnic and nationalist resurgence in Eastern Europe and the former Soviet Union. The author corrects many common misunderstandings about the nature of ethnic conflict, for example that improved communications, transportation and contact between ethnic groups will lead to greater understanding and, eventually, a common identity (he argues that the reverse is more likely); that ethnonationalism has fundamental economic causes and can be ameliorated through economic policies; that assimilation is irreversible; and that the American "melting pot" is a useful and broadly applicable model for other multiethnic societies. Those not unduly depressed by his analysis will benefit from the terminological clarity he brings to concepts like "nation," "state" and "ethnic group."

Nation Against State: A New Approach to Ethnic Conflicts and the Decline of Sovereignty. BY GIDON GOTTLIEB. New York: Council on Foreign Relations Press, 1993, 148 pp. $14.95 (paper).

Both realism and the Westphalian system of sovereign nation-states have come under considerable attack recently, in both theory and practice. The author argues that traditional notions of state sovereignty are no longer tenable in an age of rapid movements of capital, information and people. His most imaginative suggestion for dealing with the problem of ethnic conflict is the concept of "state plus nation," in which national homelands can overlap with existing states in a multitiered system of sovereignty. While this is an intriguing concept, the book might have pondered whether official sanction for a "Russian nation," embracing ethnic Russians in the Soviet successor states, would not serve the traditional imperialistic purposes of a Russian nationalist like Vladimir Zhirinovsky, or whether international recognition of a "Hungarian nation" including parts of Slovakia and Romania would be conducive to regional stability. In the end, it may be hard to do better than the old-fashioned liberal protection of individual rights. Nonetheless, the book presents new and interesting ways of looking at some old problems that have suddenly resurfaced.

Protecting the Dispossessed: A Challenge for the International Community. BY FRANCIS M. DENG. Washington: The Brookings Institution, 1993, 175 pp. $26.95 (paper, $9.95).

This book, written by a former Sudanese diplomat and U.N. human rights officer, reflects once again the broad shift away from traditional notions of exclusive state sovereignty by the post-Cold War international community. It takes up the often overlooked problem of internally displaced persons (as opposed to international refugees) as a separate category of human rights problem demanding specific solutions. Noting the gaps in existing international human rights law concerning dispossessed persons, the author outlines an ambitious strategy by which the international community can not only deal with such problems once they arise, but act to prevent them. Like

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others who do not shy away on principle from proposals for multilateral intervention in such cases, the author leaves unanswered the difficult questions of practicality and will.

Ethnic Conflict and International Security. EDITED BY MICHAEL E. BROWN. Princeton: Princeton University Press, 1993, 276 pp. $42.50 (paper, $14.95).
This volume, part of the growing literature on ethnic conflict, is a collection of essays previously published in *Survival*, largely by international relations specialists of diverse backgrounds. Jenone Walker, for example, draws on her State Department experience to offer helpful guidelines for policymakers dealing with ethnic problems, while Barry Posen's application of realist theory to ethnic conflict usefully demonstrates the theory's limits in regard to the problem of irrational hatreds. While the volume tends to be somewhat Eurocentric in its outlook and prescriptions, it is a good bellwether of current thinking.

Ultimate Security: The Environmental Basis of Political Stability. BY NORMAN MYERS. New York: W. W. Norton & Company, 1993, 308 pp. $25.00.
This book seeks to present environmental concerns as security concerns in a way that will be convincing to even the most hardheaded traditional "realists." I suspect Myers will not convert many. Many of the examples cited here—water resources, ozone depletion, deforestation and the like—have already been accepted as issues that could have important international security implications, and there is broad agreement that they should be dealt with by the international community. The author weakens his case, however, by failing to distinguish core environmental problems from either speculative disaster scenarios or humanitarian issues that simply cannot be construed as relevant to security. Many of his observations—on Mexico as an economic basket case, or the consequences of America's ever-increasing military spending—already have a rather dated quality.

We All Lost the Cold War. BY RICHARD NED LEBOW AND JANICE GROSS STEIN. Princeton: Princeton University Press, 1994, 521 pp. $35.00.
This book is built around two detailed case studies of classic Cold War crises, the 1962 Cuban Missile Crisis and the 1973 Middle East war. The case studies incorporate new primary materials, mostly in the form of extensive interviews with the Soviet and American participants, and will be of considerable use to historians. For all of the detail, however, certain specific interpretations are questionable, e.g., the treatment of the Soviet intervention threat in October 1973 as a case of failed "compellance" rather than a bluff coming after the crisis had peaked. The book's central theme is that nuclear weapons are clumsy and dangerous as instruments of coercive diplomacy. This conclusion, hardly a startling one, falls somewhat short of justifying the book's title.

On Human Rights: The Oxford Amnesty Lectures, 1993. EDITED BY STEPHEN SHUTE AND SUSAN HURLEY. New York: BasicBooks, 1993, 262 pp. $25.00.
This is a collection of lectures by seven

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renowned contemporary philosophers invited to Oxford to lecture on the subject of human rights by Amnesty International. All wrestle with the philosophical, rather than practical, dimensions of human rights. The essays of Steven Lukes, Jon Elster, Agnes Heller and John Rawls deal with such questions as how to reconcile the universalism of Western rights doctrine with cultural diversity, or by what rules an official implementing the laws of a bad regime can be prosecuted after the fact. Both the strengths and weaknesses of contemporary philosophical thought are clearly in evidence here. Postmodernist Richard Rorty, for example, is obviously sympathetic to conventional human rights concerns, but determined to demonstrate that there is no rational, universal, philosophical underpinning for them. But if moral behavior is, as Rorty claims, merely the product of "sentimental education," what then differentiates Amnesty's efforts at sentimental education from those of Serbian state television? (Indeed, Rorty's lecture begins with an extraordinary comparison of the Serbs, the Black Muslims and Thomas Jefferson.) Nonetheless, this an extremely interesting volume that deals with an important and often neglected dimension of human rights.

International Peacekeeping. BY PAUL F. DIEHL. Baltimore: The Johns Hopkins University Press, 1993, 211 pp. $36.50.

This readable volume was written before the various peacekeeping debacles of 1993 in Somalia and Haiti, but its analysis stands up remarkably well in light of these fast-changing situations. The author analyzes the different functions that peacekeeping has tried to play in the past and provides a brief historical review of operations, both successful (such as UNTAG in Namibia) and not (UNIFIL in Lebanon), beginning with the League of Nations. He stresses the limits of peacekeeping and draws several conclusions: peacekeeping operations should only be used in situations where less intrusive mechanisms (such as mediation) have failed; the often substantial opportunity costs should be carefully considered; peacekeeping operations should not be undertaken when there is only lukewarm support from one or both of the primary protagonists; and they should be directed mainly at interstate rather than civil conflicts. Consideration of these rules might have saved policymakers considerable grief in the past year.

International Human Rights. BY JACK DONNELLY. Boulder: Westview Press, 1993, 206 pp. $39.95 (paper, $12.95).

A useful primer on human rights for college courses, this book covers the history of human rights as a foreign policy issue, the philosophical underpinnings of rights, the question of universalism vs. relativism, etc. It is somewhat marred by a tendency to focus its case studies on human rights abuses by right-wing regimes.

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Economic, Social and Environmental

RICHARD COOPER

21st Century Capitalism. BY ROBERT HEILBRONER. New York: W. W. Norton & Company, 1993, 175 pp. $17.95.

Capitalism vs. Capitalism: How America's Obsession with Individual Achievement and Short-Term Profit Has Led It to the Brink of Collapse. BY MICHEL ALBERT. New York: Four Walls Eight Windows, 1993, 260 pp. $25.95.

Its title notwithstanding, Heilbroner's ruminating essay is not really about the 21st century. Its author is fascinated by the history of ideas, and he notes that Adam Smith, Karl Marx, John Maynard Keynes and Joseph Schumpeter, four towering figures in the history of ideas, foresaw in different ways the ultimate downfall of capitalism as a system of social organization. In view of its outstanding success in improving material well-being during the past four decades, something that might have confounded the first three thinkers mentioned, Heilbroner is less clear about their conclusion. But he is troubled by capitalism's intrinsic weaknesses—its tendencies toward inflation and unemployment and especially its moral vacuousness. He is nostalgic for some form of decentralized socialism, but believes capitalism—in some form—has enough life in it to see us well into the next century.

Albert, head of France's largest insurance company and a former official of the Commissariat au Plan, describes the form of capitalism he would like to see, although he is uncertain about the likely outcome. He celebrates the fact that capitalism has triumphed as a system for organizing and mobilizing society's resources. But he emphasizes that capitalism has several distinct branches, and he strongly prefers what he calls the Rhine model, which dominates in Germany, Switzerland, the Netherlands, Sweden and in some respects in Japan (although it is being challenged in all these locations), to what he calls the neo-American model, which dominates in the United States and, in some but not all respects, Britain. The Rhine model, in Albert's view, is characterized by a long-term view of the future that affects both saving and investment, especially in people, and above all by a feeling of community solidarity that is reflected not only in cooperative labor-management relations but also in a willingness by the rich to be taxed to pay for a generous system of social security. The neo-American model, in contrast, creates the possibility of rapid increases in wealth by individuals, extols the results and adopts a devil-take-the-hindmost attitude toward less fortunate or less successful members of society. France is suspended between the two models, tugged by the siren call of the neo-American version with its strong emphasis on individualism, but unwilling to accept the full social consequences. Albert's book is a tract to influence the choice.

Written originally in 1991, Albert's book holds that the Rhine model demonstrably outperforms the neo-American model in output, productivity, price stability, social security and even returns to investors. It is unclear whether

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he would qualify these judgments in late 1993, following two years of substandard German and Japanese economic performance, or whether he would consider these years aberrant.

Albert's book is provocative and replete with tendentious half-truths, particularly about the United States and Japan. But he opens a deeply important question, namely how to maintain a vibrant economic system and still spread its fruits not merely widely but universally. A crucial question he does not address is whether a general feeling of community solidarity, however desirable, can be created where it does not already exist—and, if so, how and by whom.

The Privatization Process in Central Europe. BY ROMAN FRYDMAN AND OTHERS. New York: Oxford University Press/Budapest: Central European University Press, 1993, 262 pp. $59.00 (paper, $14.95).

Shifting business enterprise from state to private management and control is widely regarded as a key element of reforming the economies of formerly communist countries. These largely descriptive volumes, the product of the Privatization Project of Prague, financed in part by George Soros, present the legal basis and actual practices of privatization of business enterprises as of late 1992 in five formerly centrally planned economies in eastern Europe and five countries that emerged from the former Soviet Union. The descriptions suggest how complicated the process is. In a rapidly changing field, they are bound to become quickly dated on detail, but they provide a clear exposition of the framework adopted by each country at the outset of the process.

The Misunderstood Economy: What Counts and How to Count It. BY ROBERT EISNER. Boston: Harvard Business School Press, 1994, 213 pp. $22.95.

Eisner has written a primer on several significant areas of recent macroeconomic debate in the United States, notably public sector deficits, the alleged inadequacy of reserves of the Social Security system and the shortfall in private savings, along with other issues. He argues persuasively that public concern over these issues has been misguided because of a failure to understand the precise meaning of widely used statistics (e.g., GNP). By applying two concepts from economics, opportunity cost and aggregation (or its opposite, the fallacy of composition), Eisner argues that the American economy is much stronger than portrayed and that debates on lesser issues have drawn attention away from the primary ones, such as how to employ Americans productively and how to assure the future through both tangible and intangible investments.

Chapter 4 will be of special interest to readers of *Foreign Affairs*. There Eisner argues that, relative to other countries, the United States has not been performing so badly, that U.S. net indebtedness to the rest of the world has been greatly exaggerated, that foreign trade generally enhances U.S. welfare even when it involves the loss of particular jobs (he

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maintains that they are offset by the creation of other jobs, a task for overall fiscal and monetary policy), and that powerful corrective mechanisms are available should the U.S. trade deficit become a serious problem.

A useful corrective to some of the more dire contemporary characterizations of the U.S. economy.

A common practice in social sciences is to publish a volume of revised papers presented at an earlier conference held to explore a set of related issues. The resulting books lack the coherence provided by a single author, and their contents vary in style, quality and the technical demands they place on the reader. But they often contain new research or new insights on older work. Here is a recent list of such volumes:

Economic Growth in the World Economy: Symposium 1992. EDITED BY HORST SIEBERT. Kiel: Institut für Weltwirtschaft an der Universität Kiel, 1993, 289 pp. $65.00.

The determinants of economic growth have long been a staple interest of economists, who have lately turned their attention to the extent to which growth rates among countries, or among regions within a country, tend to converge. This volume provides a useful source of the latest thinking of professional economists on these issues. Among other topics, the papers cover the relative importance of R&D, investment in public infrastructure, education, trade policies, even social structure. They are addressed to a professional audience, but the interesting contributions by De Long, Audretsch, Lal and Olson are accessible to others as well.

The Rocky Road to Reform: Adjustment, Income Distribution, and Growth in the Developing World. EDITED BY LANCE TAYLOR. Cambridge: MIT Press, 1993, 506 pp. $40.00.

A moderately "structuralist" examination, within a common analytical framework, of economic developments in 17 developing countries, focusing on the 1980s, with special attention to fiscal policies. Much information, many numbers on the countries covered, each in separate chapters, with an overview by the editor.

Beyond Free Trade: Firms, Governments, and Global Competition. EDITED BY DAVID B. YOFFIE. Boston: Harvard Business School Press, 1993, 496 pp. $45.00.

This book contains interesting studies of regulated or oligopolistic industries operating in the changing global environment of the past two to three decades. Topics include semiconductors, computers, telecommunications equipment, automobiles, bearings, construction equipment, nonferrous metals and non-life insurance. A lesson drawn is that government policy and industrial structure both help determine the observed pattern of international trade.

Polar Politics: Creating International Environmental Regimes. EDITED BY ORAN R. YOUNG AND GAIL OSHERENKO. Ithaca: Cornell University Press, 1993, 276 pp. $16.95 (paper).

Few people concern themselves with the Arctic, but every region has indigenous environmental issues. Here the reader can learn about international conflict and

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cooperation with respect to fur seals, Spitsbergen (Svalbard), polar bears, stratospheric ozone and arctic haze.

The International Monetary System: Highlights from the Fifty Years of Princeton's Essays in International Finance. EDITED BY PETER B. KENEN. Boulder: Westview Press, 1993, 405 pp. $65.00.

For 50 years the International Finance Section of Princeton University has served as a stimulus and a focal point for serious work on international financial issues, publishing articles too long or idiosyncratic or (these days) nontechnical to appear in professional economic journals. This volume celebrates its 50th anniversary by republishing for a wider audience 12 of the most influential essays on international finance and the functioning of the international monetary system.

Military, Scientific and Technological

ELIOT A. COHEN

A History of Warfare. BY JOHN KEEGAN. New York: Alfred A. Knopf, 1993, 432 pp. $27.50.

John Keegan, a renowned military historian known for *The Face of Battle*, a superb study of combat in the Western world, and more recently his excellent overview of World War II, has a taste for large topics. Alas, here his reach has far exceeded his grasp. Despite some graceful writing and pointed observations, *A History of Warfare* fails to live up to the title's promise or the author's reputation.

The historian who departs from chronology takes risks. Keegan's chapters have enigmatic titles—"Stone," "Flesh," "Iron," "Fire"—interspersed with "interludes" on such matters as fortifications and logistics. The narrative, punctuated with arcane jargon ("furusiyya," "klephts" and "sphagia," for example) springs to and fro in time in a way disconcerting to any reader, no matter how knowledgeable. Strong themes could redeem such confusing leaps, but Keegan professes himself the enemy of abstraction: "'Without a theory the facts are silent,' the economist F. A. Hayek has written. That may be true of the cold facts of economics, but the facts of war are not cold. They burn with the heat of the fires of hell."

Such odd emotional outbursts make the reader aware that Keegan the historian suffers from a kind of possession by another Keegan—Keegan the prophet—who periodically erupts to pronounce the imperative and inevitability of a pacific transformation of mankind. The latter Keegan has long wrestled for the soul of Keegan the historian and occasionally won, as, for example, in the conclusion to *The Face of Battle,* which proclaimed the obsolescence of battle—a passage written a few years before the Falklands, Lebanon, Persian Gulf and Afghanistan wars, the Yugoslav civil war, and scores of insurgencies, insurrections and covert struggles.

Keegan the prophet, alas, seized control of this book, and uses it as a high

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place from which to hurl invective against his personal demon, who goes by the unlikely name of Carl von Clausewitz. How does a history of human conflict become a vendetta against a liberal German soldier-theorist of the early nineteenth century? Keegan the prophet views as pernicious, if not blasphemous, Clausewitz's best-known teaching, that war is about politics. The author believes that a warrior culture, embodied in the military men whom he regards with a complicated and intense mixture of admiration and loathing, explains war. This belief occasionally leads Keegan to make preposterous assertions ("Politics played no part in the conduct of the First World War worth mentioning"), but more often to an attempt to define away historical facts that he cannot avoid.

Thus, Keegan the prophet praises the gentle (because symbolic) aspects of primitive warfare, hoping that modern man will adopt its characteristics. Keegan the historian, however, must explain the systematic and breathtaking cruelty of aboriginal tribes from Borneo to the Great Plains. Keegan the author tries to reconcile his warring souls by defining all exceptionally savage but non-European warriors as Clausewitzians. Thus, when Shaka welded the Zulu nation into the most formidable fighting force in Africa, he did so, according to Keegan, as a Clausewitzian in revolt against the benign traditions of primitive warfare. When Easter Islanders exterminated one another before contact with European civilization, it also reflected their metamorphosis into "Clausewitzians." With that epithet Keegan the prophet anathematizes a large and nefarious tribe that includes, inter alia, some Aztecs, a heterodox anthropologist, many clever American social scientists, most European military leaders and the Yanomamo Indians.

Such distortions and the obsessive rage that give them birth do little credit to such a talented historian, and no service to readers who look to him for instruction. Perhaps such a chaplain as caters to military historians will exorcise Keegan the prophet, and return a less troubled Keegan the historian to the ranks of his colleagues. We need the latter's gifts of narrative and insight, not least because the former looks to be so terribly wrong about the imminent demise of war.

The Pentagon Wars: Reformers Challenge the Old Guard. BY JAMES G. BURTON. Annapolis: Naval Institute Press, 1993, 306 pp. $23.95.

Burton, a rising star in the Air Force, made his mark—and ended his career—in the testing and evaluation business in the Pentagon. *Pentagon Wars* spends much of its time describing an epic bureaucratic battle with the Army over realistic testing of the Bradley Infantry Fighting Vehicle, which the author considered (with some justification) a death trap, at least in its first incarnation. But this book discusses much more: the eccentric personalities and fervent convictions of a group of military reformers who, among other things, tried to force the Air Force to adopt the light, dogfighting F-16 over heavier and more sophisticated aircraft, and the unpleasant realities of life in the Pentagon's acquisition staff. Burton is bitter, self-

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righteous, one-sided and unyielding, but he writes compellingly and often persuasively, and has produced an engrossing and upsetting book.

After Tet: The Bloodiest Year in Vietnam. BY RONALD H. SPECTOR. New York: The Free Press, 1993, 390 pp. $24.95. Spector, one of the country's leading military historians, served as a field historian in Vietnam in 1968—the year this book covers. The book is not a memoir, however, but a clear and important description of the grim events that followed the Tet offensive. Spector demonstrates that the intensity of the fighting (measured in casualties) compared with periods in World War II, and he does an excellent job of describing the American forces that bore those losses. The book covers everything from White House decision-making to the war in the villages with a rare combination of empathy and unsentimental clarity. A model military history of a period often overlooked or reduced to stereotype in the popular memory of the war.

The Middle East Military Balance 1992-1993. BY SHLOMO GAZIT, ZE'EV EYTAN AND AMOS GILBOA. Boulder: Westview Press, 1993, 514 pp. $82.00. The standard for handbooks on the military holdings of various countries is, of course, the annual *Military Balance* published by the International Institute for Strategic Studies. *The Middle East Military Balance* meets, and indeed surpasses, this high standard. Written by some of Israel's foremost military experts (including a former head of Israeli intelligence), it provides unusually extensive military detail not available in the IISS publication (for example, descriptions of main air bases) and adds thoughtful analytical essays to boot. Turn to this work for, inter alia, a comprehensive statistical description of the *intifada*, a discussion of Jordanian lessons learned from the Gulf War, or an appraisal of the reorganization of the Israeli force structure. A valuable reference work.

International Military and Defense Encyclopedia. 6 vols. EDITED BY TREVOR N. DUPUY. Washington: Brassey's, 1993, 2,132 pages. $1,250.00. Unless you are independently wealthy or have an unusually generous expense account, the question here is whether or not to lobby your librarian to acquire this mammoth—and too expensive—work. The answer is yes, with only a few qualifications. The great strength of this encyclopedia is its clear exposition of technical issues: the articles on such subjects (chemical weapons, fuzes, radar, and the like) are excellent. The authors (selected by the self-consciously multicultural editors from an international pool of experts) explain these matters clearly, concisely and with the aid of fine drawings and illustrations. Yet too much space goes to articles of general political or historical interest that are covered in non-specialized encyclopedias. Many such articles try to cover too much in too little space, and many will soon become painfully dated. Still, the breadth and lucidity of the technical articles carry

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these handsomely printed volumes along, making the encyclopedia an outstanding resource for students of military affairs.

Getting It Right: American Military Reforms After Vietnam to the Gulf War and Beyond. BY JAMES F. DUNNIGAN AND RAYMOND M. MACEDONIA. New York: William Morrow and Company, 1993, 320 pp. $23.00.

Dunnigan, a commercial war-gamer and military history buff, and Macedonia, a retired colonel and also a war-gamer, have written a book that poses an important question. How did the American military after Vietnam go from a demoralized, in some cases undisciplined, and certainly discontented armed force to the confident, well-trained and well-equipped legions that stormed Kuwait?

The book's chatty exposition ("Doctrine du Jour" is one section title) and its choppy presentation obscure the answer. The discipline of footnotes and bibliography (both absent here) would have forced the authors to document their facts and perhaps temper their historical judgments. There remains much for scholars to describe, but this is a start.

Metaman: The Merging of Humans and Machines into a Global Superorganism. BY GREGORY STOCK. New York: Simon & Schuster, 1993, 365 pp. $23.00.

A breathless, copiously illustrated exposition that brings together a bewildering array of information, presented with considerable ingenuity. Although the reader may find the ultimate argument unconvincing (Stock sees man on the path to "global union," a view that will leave much of his audience unconvinced), the book derives a quirky charm from its intensity. Technology is moving at a pace that often exceeds our comprehension, and even if one rejects the implications of Stock's argument for international relations, one should at least have to think about why one does so.

Guarding the Guardians: Civilian Control of Nuclear Weapons in the United States. BY PETER DOUGLAS FEAVER. Ithaca: Cornell University Press, 1992, 261 pp. $34.50.

Notwithstanding its overly formal structure (complete with dependent and independent variables): this is a well-written and intriguing discussion of one of the most important yet least understood dimensions of nuclear strategy. The author explores the oscillation between delegation and assertive civilian control over the nuclear arsenal, focusing in particular on the early period of American nuclear strategy. Where possible he makes use of archival material, although for the period of the last 25 years or so, not surprisingly, he is forced to rely on secondary sources, newspaper articles and interviews. The book contributes to the study of civil-military relations at this high level of national strategy and offers its readers an interesting look into issues that remain swathed in secrecy.

Perilous Options: Special Operations as an Instrument of U.S. Foreign Policy. BY LUCIEN S. VANDENBROUCKE. New York: Oxford University Press, 1993, 247 pp. $35.00.

A commendable study of four attempts by the United States to use the *coup de*

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main as a tool of foreign policy. The four episodes examined—the Bay of Pigs, the Son Tay raid, the Mayaguez rescue and the Desert One fiasco—all left a bad taste in the mouths of the statesmen who ordered them. Vandenbroucke offers prescriptions for presidents who wish to use these kinds of operations and lets them know what they are getting themselves in for. Readers interested in the case studies, however, may set aside the didactic concluding chapter and content themselves with four well-researched cases.

America's Military Revolution: Strategy and Structure after the Cold War. BY WILLIAM E. ODOM. Lanham: The American University Press, 1993, 186 pp. $22.95.

Odom, the scholarly former director of the National Security Agency, has written a short, prescriptive work calculated to infuriate more than a few readers, among them the entire U.S. Marine Corps (an "antique luxury") and believers in traditional methods of civilian control of the military ("the bulk of the work should be left with the military service staffs and the Joint Staff" is a typical recommendation). Odom favors a 12-division army but has less use for the other services, whose principal tasks seem to be to transport, support and enhance armor-heavy expeditionary forces, which he believes are central to the future of American strategy.

The United States

STEPHEN E. AMBROSE

James B. Conant: Harvard to Hiroshima and the Making of the Nuclear Age. BY JAMES HERSHBERG. New York: Alfred A. Knopf, 1993, 948 pp. $35.00.

"Conant operated at the crossroads of America's power elite," James Hershberg, the coordinator of the Cold War International History Project at the Wilson Center in Washington, rightly asserts in his introduction. Conant was at or near the center of events in World War II and the Cold War. As the administrator of the Manhattan Project, he provided the liaison between the White House, the military and the scientists. He was present at Alamogordo on July 16, 1945 (his initial terrifying reaction to the light created by the explosion was that the thing had gotten out of hand and the world was blowing up). As a member of the Interim Committee, he played a critical role in selecting Hiroshima as the target for the first atomic bomb. After the war, he tried to persuade the Atomic Energy Commission to reject development of the hydrogen bomb. He was president of Harvard during the McCarthy era, where his record in defense of academic freedom was mixed. He was Eisenhower's ambassador to West Germany, then completed his career as America's leading educational statesman, working for reform and improvement.

Hershberg began this study in September 1981 as his undergraduate history thesis at Harvard. In the past decade, he

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has done an immense amount of research and produced a well-written, comprehensive, nonjudgmental but sensitive biography—too long for most readers, surely, but welcome to scholars. Conant was involved in so many and such critical events that students of almost any aspect of our public life over the past half-century will find useful the new material and helpful insights in this book.

Hershberg puts it well: "Conant's life . . . offered a window on many of the revolutionary transformations in recent American history—the quantum jumps in the relationships tying U.S. science, universities, government, and the military; the shift in U.S. foreign policy from isolationism to global interventionism; the stresses on American education, society, and politics, exacerbated by McCarthyism and the bomb . . . the philosophical and existential alternations in humanity's relationship to the universe after Alamogordo."

Conant was not a particularly likable person, and his reticence makes him a bit dull, but he walked with the truly big men of his era—Truman, Eisenhower, Marshall, Acheson, Oppenheimer, Stimson, Dulles, Adenauer and others—and had the respect of all of them. He was deeply pessimistic about the future in the atomic age that he had contributed so much to bringing about, but despite (or because of) his fears, he was a militant Cold Warrior. Hershberg concludes that Conant was both "a farsighted and lucid" leader and a man who "displayed the limitations and failings of the American establishment in a period of global conflict, technological change, and domestic tensions."

This fine biography of one of the most important and complicated of America's twentieth-century leaders immediately establishes James Hershberg as one of America's outstanding young historians.

Losing Our Souls: The American Experience in the Cold War. BY EDWARD PESSEN. Chicago: Ivan R. Dee, 1993, 255 pp. $24.95.

Edward Pessen, a professor of history at Baruch College, died in December 1992, shortly after delivering the manuscript for this book to his publisher. His theme is the price of victory in the Cold War; his style is polemical. The work is based on secondary accounts and personal reactions to having lived through the Cold War. His conclusion is that although America won, the methods used were "so grievously flawed that the United States may never fully recover from its effects upon our values, our freedoms, our politics, our security, the conditions of our material life, the quality of our productive plant, and the very air we breathe." Pessen describes the usual villains—the CIA, the military-industrial complex, the Cold War think tanks and their intellectual sponsors, the politicians—in a vigorous, simplistic style that is strong on emotion but short on thought-provoking analysis or new information.

The Devil We Knew: Americans and the Cold War. BY H. W. BRANDS. New York: Oxford University Press, 1993, 243 pp. $25.00.

Historian H. W. Brands of Texas A&M University writes that "the fundamental question addressed in this book is: Why did the United States act as it did in the

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Cold War?" His answer is, not surprisingly, "For a variety of reasons." By no means does he go into them all, or into any of them in much depth. As he rightly states, the book is "an essay rather than a history." No theme ties the essays together, other than to concentrate on some of the mistakes the United States made and the price the country paid for "victory" in the Cold War, a victory Brands sees as ambivalent at best. This early entry in the race to assess the Cold War offers opinions on a variety of matters, some insightful, some witty, too many cliché-ridden. The hero is Mikhail Gorbachev. In one of his most effective images, Brand writes: "In a stunningly short period, [Gorbachev] deprived Americans of the only major enemy most of them had ever known, and, like the half of a two-person tug-of-war who unwarningly lets go, he threw America's Cold War apparatus abruptly off balance."

A Democracy at War: America's Fight at Home & Abroad in World War II. BY WILLIAM O'NEILL. New York: The Free Press, 1993, 480 pp. $24.95.

A familiar story, told here as well as, if not better than, it has ever been done before. William O'Neill of Rutgers University, one of the most distinguished and prolific historians of recent American history, covers the diplomacy of the prewar and war periods in a masterful manner, along with vivid accounts of the land, sea and air battles, domestic politics and the home front. Recommended without reservation.

Power and Peace: The Diplomacy of John Foster Dulles. BY FREDERICK W. MARKS III. Westport: Praeger Publishers, 1993, 266 pp. $49.95.

Who made foreign policy in the 1950s, Secretary of State John Foster Dulles or President Dwight Eisenhower? This work is a lawyer's brief for the case that Dulles was the "architect of American policy." Marks is argumentative without being informative. He states that Dulles "has never received as much as half the recognition he deserves," that Dulles was the real father of Soviet-U.S. détente, and that Richard Nixon's 1972 opening to China "was a natural extension of policies set in motion by Dulles," among other pronouncements. Marks presents precious little in the way of new documentation to support such assertions. He denounces Eisenhower revisionists who insist that the president was in charge, and he differs strongly with earlier studies, such as Herman Finer's *Dulles Over Suez*, that agreed that Dulles ran the show but charged that he did it badly. Leaving the wisdom of the Eisenhower administration's policies aside, the question of who was in charge is easily settled. In the spring of 1953, Dulles wanted to launch a major ground offensive in Korea to give the Chinese "one hell of a licking," using the army of Nationalist China, and he opposed the July 1953 armistice. Dulles wanted to support the British and French at Suez in 1956. And so on. We all know what happened—how can anyone doubt who made the policy?

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Uncertain Warriors: Lyndon Johnson and His Vietnam Advisers. BY DAVID M. BARRETT. Lawrence: University Press of Kansas, 1993, 279 pp. $35.00.

It is commonly thought that Lyndon Johnson had a very narrow set of advisers on Vietnam, all hawks, that he excluded opposition views and was greatly surprised in the aftermath of the 1968 Tet offensive when his new Secretary of Defense, Clark Clifford, told him the Joint Chiefs of Staff were misleading him. Clifford's defection supposedly caused Johnson to reverse course and begin the process of retreat. In this important study, Barrett draws on newly released archival material to demolish the common wisdom. He shows that Johnson listened to all points of view, and that he was deeply disturbed by the opposition to escalation from Senators Richard Russell and William Fulbright, Vice President Hubert Humphrey, formal advisers including George Ball, informal advisers including Dean Acheson (after 1967) and many others. Barrett's point is that Johnson heard all sides before making decisions. His conclusion is that "rational advisory and decision making processes can produce tragically flawed policies." Among other virtues, the work recalls the agony of Vietnam and the terrible personal dilemma Johnson went through as he rejected the advice of men he trusted and admired.

The Spider's Web: The Secret History of How the White House Illegally Armed Iraq. BY ALAN FRIEDMAN. New York: Bantam Books, 1993, 455 pp. $23.95.

Investigative reporter Alan Friedman, an American who is a prize-winning correspondent for the *Financial Times* of London, here tells a story of oil, money and political power. Its essence is that the West, led by the United States, created a monster it then had to destroy. The characters include President George Bush, Secretary of State James Baker, Saddam Hussein, Margaret Thatcher, Ronald Reagan, Giulio Andreotti, various officials from the Banca Nazionale del Lavoro and the other usual suspects in the Middle East. Friedman's sources for this tale of intrigue and conspiracy include heretofore secret government documents (the appendix reprints more than 60 pages of declassified documents) and hundreds of interviews, many of them with that favorite source of investigative reporters, the "informed official" who wishes to remain anonymous. Friedman writes that the American and British effort to arm Iraq, even with nuclear weapons, using Italian money to finance the operation, was "the world's first global political scandal." That takes in quite a bit of ground. Still, what he demonstrates certainly stinks up the place. In briefest outline, Bush and Baker and their fellow conspirators in London and Rome sold arms and technology to Saddam, lied about it and then covered it up when it was exposed. The ultimate coverup was Operation Desert Storm. In his summary sentence, Friedman writes, "More than anyone else, Bush and Baker must bear responsibility for paving the road to Operation Desert Storm, a war they justified as necessary in order to wipe out the very nuclear weapons capacity that the U.S. had helped to foster."

Friedman's indignation at the policy and the duplicity runs high. He fears that

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if the coverup is allowed to stand unchallenged, the future of democracy is imperiled. He calls for investigations by Congress, the Justice Department and Parliament "to pursue allegations wherever they may lead, regardless of how politically awkward that might be."

Given the result of the $37 million spent by the special prosecutor on the Iran-Contra investigation, or that of nearly all politically charged investigations into past policies, and given that anonymous informants are much more likely to talk to reporters than to prosecutors, one has to wonder what good such investigators would do. Like F.D.R. and Pearl Harbor, this case is best left to historians.

Western Europe

STANLEY HOFFMANN

Stanley Hoffmann is substituting for our regular reviewer in this section, Fritz Stern, who will return next issue.
The Editors

Cultivation of Hatred: The Bourgeois Experience, Victoria to Freud. BY PETER GAY. New York: W. W. Norton & Company, 1993, 685 pp. $30.00.

In the third volume of his exploration of "The Bourgeois Experience: Victoria to Freud," Peter Gay moves the focus of his study from love to aggression in all its manifestations in the nineteenth and early twentieth centuries and to the efforts of bourgeois societies to channel or tame it. Gay's erudition takes the reader through a long, fascinating, at times horrendous journey that begins with student dueling in Germany, ends with modern nationalism, and passes through racism, flogging, the punishment of criminals, the sublimation of aggression in political culture, male myths about women, the uses of wit and sports, the rise of specialization and the celebration of "character." Informed by but not subservient to Freud, Gay's work is a sweeping and disturbing contribution to the history of "mentalities."

German Unification in the European Context. BY PETER MERKL AND GERJOACHIM GLAESSNER. University Park: Pennsylvannia State University Press, 1993, 448 pp. $65.00 (paper, $18.95).

A solid account of the events that led to the reunification of Germany, its costs and consequences both within and outside Germany, and German opinion about reunification (the young being far less supportive than those over 50). Glaessner's contribution is a chapter on the distinctive features and the demise of the late German Democratic Republic.

The National Question in Europe in Historical Context. EDITED BY MIKULÁS TEICH AND ROY PORTER. New York: Cambridge University Press, 1993, 343 pp. $69.95 (paper, $17.95).

A study of the "national question" in 12 European countries—from Britain to Poland, from Finland to Spain—by 13 historians. The chapters are, on the whole,

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informative but rather short on analysis. The exception is the chapter by Winkler on nationalism and the nation-state in Germany, which has a debatable social and economic interpretation.

France and EC Membership Evaluated. EDITED BY FRANÇOIS-GEORGES DREYFUS, JACQUES MORIZET AND MAX PEYRARD. New York: St. Martin's Press, 1993, 253 pp. $49.95.

In a series of books that examine the effects of EC membership for several states, this volume, written by 23 French social scientists and civil servants, tries to evaluate the impact of the community on all aspects of French policy. Despite the brevity of each chapter, the book provides considerable information. On the whole, the evaluation is positive, but many of the pieces were written before the turmoil of 1992-93, and there is only one reference to unemployment. A greater sense of politics would have helped.

Eisenhower, Kennedy and the United States of Europe. BY PASCALINE WINAND. New York: St. Martin's Press, 1993, 432 pp. $45.00.

Based on primary sources and extensive interviews, this book describes the views, influence and mixed achievements of the "Europeanists"—friends and associates of Jean Monnet—who shaped much of the United States' policy toward Europe from 1952 to 1963. While there are no surprises, it is the most complete account of the long clash between these statesmen's a "boundless optimism" and the roadblocks set by intra-European discord, British ambivalence and French resistance, both before de Gaulle's return to power and during his rule. It is a very fine volume.

Germany and the European Community: Beyond Hegemony and Containment. EDITED BY CARL F. LANKOWSKI. New York: St. Martin's Press, 1993, 237 pp. $49.95.

A series of essays analyzing the attitudes of German interest groups and parties toward European unification and Germany's role (especially its economic and financial role) in the European Union. This book concludes that Germany is tightly integrated in the EC, and that the union's constitution may need to be overhauled. The parts of this book that are informative and complex are more satisfactory than their sum, which is elusive.

Europe: The Strange Superpower. BY DAVID BUCHAN. Brookfield: Dartmouth Publishing Company, 1993, 181 pp. $26.95.

A sober and often incisive review of the "roads to Maastricht," the fiasco of the European Community in diplomacy and defense, its relations with countries to the east and south, and its links with the other major actors. The tone is both critical and understanding, the conclusions mildly optimistic.

Western Hemisphere

KENNETH MAXWELL

Conquest: Montezuma, Cortés, and the the Fall of Old Mexico. BY HUGH THOMAS. New York: Simon and Schuster, 1994, 798 pp. $30.00.

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Cortés: The Great Adventure and the Fate of Aztec Mexico. BY RICHARD LEE MARKS. New York: Alfred A. Knopf, 1993, 347 pp. $27.50.

The 500th anniversary of the arrival of Christopher Columbus in the new World in 1992 provoked much soul-searching and recrimination. Not until 2019 will we reach the anniversary of the conquest of old Mexico, but Hugh Thomas in this marvelous book has preempted the revisionists in a nuanced, sparkling, exhaustively documented, and irresistible narrative of the rise and fall of great empires and the clash of human will. Cortés the conqueror and Montezuma the defeated emperor stand at the center of his story. The Spaniards' arrival in the great island city of Tenochtitlan, whose magnificence, beauty, and size took away their breath when they first beheld its white dwellings, canals, pyramids, and causeways; the city's subsequent destruction; the tale of how a small, well-led expeditionary force of quarrelsome Castilians on the make fought a large and ruthless monarchy, remains the stuff of epic adventure. Lord Thomas once again rises triumphantly to the historical occasion. Anyone who enjoys great history should not miss this book.

Richard Lee Marks' account, which covers some of the same ground, has the great misfortune of being published coincidentally with Hugh Thomas's brilliant contribution. It is thin and puny in comparison.

Demographic Dynamics of the U.S.-Mexico Border. BY JOHN R. WEEKS AND ROBERTO HAM-CHANDE. El Paso: University of Texas, 1992, 318 pp. $20.00.

Mexican-Americans: The Ambivalent Minority. BY PETER SKERRY. New York: The Free Press, 1993, 463 pp. $27.95.

Latino Voices: Mexican, Puerto Rican, and Cuban Perspectives on American Politics. BY RODOLPHO O. DE LA GARZA AND OTHERS. Boulder: Westview Press, 1992, 232 pp. $29.95.

John Weeks, a professor of sociology and director of the International Population Center at San Diego State University, and Roberto Ham-Chande, academic director of El Colegio de la Frontera del Norte in Tijuana, Mexico, bring together chapters by 21 researchers from both Mexico and the United States to examine the increasingly important U.S.-Mexico border region. This fascinating, detailed collection provides an extraordinary wealth of information, including comparative demographic indicators, public health comparisons, an analysis of the impact of undocumented workers in the southwest of the United States and much more.

As is perhaps unavoidable in such cross-border collaborations, the authors of the Weeks/Ham-Chande volume are excessively academic and cautious in their conclusions, avoiding the politically charged questions about culture and national identities.

Peter Skerry's book about Mexican-Americans makes those questions central to its inquiry. Among his more controversial assertions is that Mexican-Amer-

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ican leaders are "wedded to an unfortunate and divisive post-civil rights political strategy," which serves as an obstacle to the integration of "poorly educated, tradition oriented immigrants arriving here today."

Skerry looks in some detail at the different political styles of two American cities, San Antonio and Los Angeles. In Texas he finds that traditional political institutions and community organizing have brought much political success to Mexican-Americans. Despite social and economic mobility, political efforts in Los Angeles, characterized by angry protest and claims of racism, have been less successful. Skerry is especially critical of the "elite network of politics" embodied by the Mexican American Legal Defense and Education Fund, which he sees as lacking a grass-roots base and being overly dependent financially on corporate sponsors and foundations (the Ford Foundation in particular).

Skerry's volume will undoubtedly provoke a storm of protest. The sharp distinction he draws between the "racially oppressed minority" and "aspiring immigrant ethnic group" seems overdone, given the fact that Mexican-Americans can be both or neither, depending on region and family history. But the author's intention is to provoke, and he raises important social and political questions about America's demographic changes.

Latino Voices is a sober counterpart to the politically charged message in Skerry's book. The authors have compiled a chart of basic information on the political values, attitudes and behaviors of populations of Mexican, Puerto Rican and Cuban origin in the United States. Its findings cover social and demographic characteristics, psychological, cultural and linguistic factors, political values, ethnic attitudes toward immigration policy, gender issues and many other issues with public policy implications.

The results of the *Latino Voices* survey are carefully presented and by and large left to speak for themselves. To some degree, these statistics provide an antidote to the insecurities displayed by those who worry about the multicultural future of the United States. The *Latino Voices* survey found that the great majority of the respondents, regardless of national origin, experience "very" or "extremely" strong love for and pride in the United States. Respondents generally expressed less trust in government than they did pride in the United States. Interestingly, it was not Latino but Anglo respondents who were least likely to trust their government.

The California-Mexico Connection
EDITED BY ABRAHAM F. LOWENTHAL AND KATRINA BURGESS. Stanford: Stanford University Press, 1993, 364 pp. $45.00 (paper, $16.95).

Today one out of every five Californians is of Mexican heritage, compared to fewer than one in ten as recently as 1970, and Latinos are expected to comprise about 30 percent of California's population by the end of this decade. In the elementary schools of the Los Angeles Unified School District, 67 percent of the students are of Latin American, mainly Mexican, descent. To some, these are frightening statistics that reinforce old prejudices and stimulate demands for exclusion and retrenchment; to others

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they are the indicators of an inevitable multiculturalism that policymakers at all levels of government should prepare for.

The authors of this stimulating and comprehensive volume have provided a detailed road map of the growing connection between Mexico and California, and the influence each is having on the other. The distinguished contributions include a chapter by James N. Rosenau, who seeks to develop methods for defining a relationship that includes "diverse interdependencies" and "unavoidable interactions"; one by Jorge Castañeda on what he calls the "dedemocratizing" political effect in California of Mexican immigration, which creates a type of "electoral apartheid" based on the separation of "those who work and those who vote"; and six analytical chapters covering facets of Mexicans' roles in California's society, economy, educational and health systems, and politics. The editors conclude with a series of ambitious policy recommendations.

This is undoubtedly one of the best books on the growing intermixture of the domestic and foreign in the everyday life of Americans and the implications this has for national and state politics.

Cuba on the Brink: Castro, the Missile Crisis, and the Soviet Collapse. BY JAMES G. BLIGHT, BRUCE J. ALLYN AND DAVID A. WELCH. New York: Pantheon Books, 1993, 448 pp. $27.50.

A fascinating and extremely well annotated transcription of the discussions held in Havana in January 1992 by a distinguished group of veterans and analysts of Cuba's role in the missile crisis of 1962. In addition to fidel Castro himself, the participants included Ray Cline, Robert McNamara, Arthur Schlesinger Jr., General William Y. Smith, General Anatoly I. Gribkov, Sergo A. Mikoyan and Sergei N. Krushchev, among others. The most startling of the many revelations this book contains is the fact that nuclear warheads had been delivered to Cuba and were intended for installation on both intermediate-range ballistic missiles and shorter-range tactical nuclear weapons in the event of a U.S. invasion, and that Castro was ready for war, even nuclear war, during the crisis, a position that appears to have frightened Krushchev as much as it did Americans.

The conference was cordial on the whole until the questions raised touched on current concerns in Cuban-American relations, and here there was more heat than light. Castro pointedly reminded his guests that, unlike most of them, he still spoke as a government official. As Jorge Dominguez reminds us in his introduction, the United States "still objects to the very nature of the Cuban regime. Today as a third of a century ago, Fidel Castro and his associates still proclaim that they will defend their version of their homeland even if it means death." For what it directly tells us about one of the most dangerous confrontations of the twentieth century, and for what it indirectly tells us about the present, *Cuba on the Brink* is essential reading for any serious student of international affairs.

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Public Opinion in U.S. Foreign Policy: The Controversy over Contra Aid. EDITED BY RICHARD SOBEL. Lanham: Rowman, 1993, 240 pp. $52.50 (paper, $19.95).

It is by now conventional wisdom that foreign and domestic policy are so interwoven that the parochial concerns of the latter almost always overwhelm dispassionate decision and implementation in the former. This detailed study of the controversy over U.S. aid to the contras sets much of this orthodoxy on its head. As this book demonstrates, public opinion was consistently opposed to funding the contras, yet the Reagan administration, and often the Congress, regularly approved contra aid. Far from constraining policy, the hostility of public opinion drove policy-making into the dark back rooms of the bureaucracy with disastrous consequences for the reputations of many of those involved. Editor Richard Sobel argues that Congress, in particular, could afford to be unresponsive to public opinion because the issue was never salient enough for the public to focus on, and that there is little evidence that the opinions held by the public had any direct bearing on how members of Congress voted.

Overall, this book contains a sophisticated series of detailed studies, including a dissection of the domestic politics of contra aid, an analysis of the public diplomacy aimed at garnering public support of the administration's policy, an investigation of the role of lobbying and lobbyists, and a review of the relationship between the legislative and executive branches in the Nicaragua controversies. Everett C. Ladd argues in his foreword that in many ways this book refutes the notion that the American public's attitudes towards U.S. foreign policy "bounce wildly and meaninglessly" and lack intellectual structure. On the contrary, the public brings deep underlying values and assessments, even when ill-informed about the specifics. Ladd believes the lesson of the contra episode is that "politicians in a democracy should not abandon their own moral and intellectual judgments."

The editor has incorporated the views of both scholars and participants in the contra debate and has produced a remarkable contribution of broad relevance to those who make and implement U.S. foreign policy.

Eastern Europe and Former Soviet Republics

ROBERT LEGVOLD

The Fate of Marxism in Russia. BY ALEXANDER YAKOVLEV. New Haven: Yale University Press, 1993, 250 pp. $29.95.

Oh, how he must have infuriated his more conservative colleagues on the Politburo! Yakovlev, the liberal spirit in Gorbachev's inner circle, says things about Marxism, Bolshevism and the Soviet experience more scathing than any of Solzhenitsyn's or Sakharov's condemnations. Most of this book, he tells us, was drafted between 1987 and 1990, when the battle over perestroika's course was at its most intense. By then, to judge from

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the end product, Yakovlev had become more than disillusioned with Marxism and what Lenin made of it; he bitterly resented everything this "neo-religion" had done to his country and people. And he was ashamed—not least because he and so many around him had continued to believe as long as they did.

Two-thirds of the book delivers a fiery, rather elegant, but also overwrought attack on the fallacies of Marxism and the devastation that its translation into state dogma produced during 70 years of Soviet rule. Few of his points have not been made before by others, but to read the words from the pen of a key member of the Soviet Union's last leadership is startling. The more recently drafted final third of the book tells in abstract but useful terms of the stages through which Gorbachev's perestroika passed. It also contains thoughtful, sobering, even ominous reflections on the Soviet legacy and the burden that it will pose for years to come.

In the end, however, the book disappoints, less for what it is than for what it could have been. From a man as intellectual and self-critical as Yakovlev, the reader hungers for insights into how he could have believed so long; when, why and by what turns he ceased to believe; and how his evolution compared with others', including Gorbachev's. These are not in the book.

Free to Hate: The Rise of the Right in Post-Communist Eastern Europe. BY PAUL HOCKENOS. New York: Routledge, 1993, 332 pp. $25.00.

There is no mistaking the scale and nature of the threat from the nationalist right represented in the carnage of Yugoslavia. But what is the meaning and importance of the right-wing violence against refugees and foreigners in Germany or the anti-Semitic slurs of leading Hungarian politicians? Hockenos, a journalist based in Germany and widely traveled in Eastern Europe, has written more than a journalist's account of the misdeeds, the vengeful calls to old hatreds and the bloodshed. He has pieced together a detailed report on the complex quilt of groups emerging in East Germany, Poland, Hungary and the Czech Republic—who they are, where they come from and, of particular note, where their causes and appeals shade into the unsavory flings of mainstream political parties. His careful research, including a good deal of polling data measuring the resonance of fascist themes among parts of the population, goes down easily, because throughout he includes his firsthand encounters with those who march under the banner of ethnic nationalism, hatred for the outsider and dreams of reconquest. Moreover, Hockenos deepens the analysis by weighing three ultimate explanations for the stirrings of the primal right: the warped and stifling communist system as a crucible, the dislocations and exactions of modernization as a cause, and the excesses and perversions within political culture as the root. Based on his exposure, he mostly chooses the third explanation, but along the way also gives plenty of evidence for the first two.

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Russia 2010 and What It Means for the World. BY DANIEL YERGIN AND THANE GUSTAFSON. New York: Random House, 1993, 300 pp. $23.00.

In a useful, clever book, Yergin and Gustafson help both the expert and the general reader think large thoughts about Russia's possible paths into the future. The book's central device is a series of carefully crafted scenarios—some for the next several years, some farther out—preceded by thoughtful, succinct portraits of society, its parts, players and key trends. The scenarios range from more of the same (called "muddling through") to, at one end, a slide into chaos and, at the other, the emergence of Russia into a stable, largely constructed, fecund capitalist society (called "the miracle"). Futurology can be a waste of time when it is the product of over-fertile minds and when imagination serves as a substitute for sound analysis. This book, however, is worthwhile, not only because it is so accessibly written, but because the analysis is of such high quality and the scenarios blend so well. Shrewdly chosen detail and a remarkably insightful sense of the possible.

The Elusive Balance: Power and Perceptions during the Cold War. BY WILLIAM CURTIS WOHLFORTH. Ithaca: Cornell University Press, 1993, 317 pp. $39.50 (paper, $16.95).

Wohlforth uses the vast, nearby, now finished postwar conflict between the United States and the Soviet Union to probe mainstream theoretical notions at the core of Western, particularly U.S., academic international affairs studies. The key issue is power, an admittedly elusive concept that plays a critical role in the abstractions of the scholar and an equally salient one, albeit less intellectual, in the fears and hopes of the policymaker. Wohlforth has rewarding things to say about the way Cold War leaders appraised power and how their views evolved.

For Wohlforth's political science colleagues, the result is a serious, highly intelligent refinement of central notions, but with no breakthrough onto new theoretical paths (in fairness to him, this is as he meant it to be). For general readers, who may find academic theory of this sort too remote from their practical interests and needs, the author's well-focused quest provides compact, powerful insights into the fundamentals of this long-dominant contest. They are accessible because he makes an effort to keep professional jargon and conceptual shorthand out of the writing.

One cannot put this solid book down, however, without being reminded of how disturbingly inapt and weak preeminent theory has been, not only in anticipating but, to its greater discredit, in accounting for the stunning way the Cold War ended. In this respect, Wohlforth's argument cannot do better than the theory with which he has his conversation.

Red Sunset: The Failure of Soviet Politics. BY PHILIP G. ROEDER. Princeton: Princeton University Press, 1993, 317 pp. $49.50 (paper, $16.95).

This is fashionable political science theory applied to what will surely be one of the great social science puzzles of the twentieth century—why the Soviet system collapsed. But it is theory in search of a problem, not a problem in

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search of theory, in the sense that Roeder had the approach in mind even before the Soviet order disintegrated. The theory, called "new institutionalism" and borrowed from economics along with a core of "rational-choice theory," roots the sources of political behavior in the rules, formal and informal, that determine political roles and relationships. These rules are called institutions, much as marriage and organizations such as the U.S. Congress are institutions. Briefly stated, the author argues that the peculiar rules of the Soviet system fostered a number of political relationships. Those political relationships shaped policies that were suited to transforming early twentieth-century Russian society. But those rules and relationships served badly to adapt the new, and then not so new, political structures to the changed society produced by these structures. The result was a system highly resistant to reform, and when a leadership finally insisted on far-reaching change, the whole thing broke rather than yield.

Putting Roeder's thesis so starkly does it a disservice: Fully developed, it is far from as self-evident as this would make it seem. Although the book's primary audience is in the universities, the general reader will gain insight into the ultimate weaknesses of the Soviet system and a good idea of how "new institutionalism" stacks up as an explanation against traditional alternatives, particularly those stressing the importance of political culture.

The Walls Came Tumbling Down: The Collapse of Communism in Eastern Europe. BY GALE STOKES. New York: Oxford University Press, 1993, 319 pp. $25.00.

This is the first history of the collapse of communism in Eastern Europe done by a professional historian. It offers the historian's deep understanding of the region in combination with a graceful, lucid ability to tell the story. His starting point, 1968, is also a key part of his explanation: "When Brezhnev and his counterparts in Eastern Europe made their decision that the economic and political reforms proposed in Czechoslovakia in 1968 were too dangerous for socialism, they signed the death warrant of the system they thought they were saving." He then, with easy motions, draws from the vast tangle of historical detail the thread bearing this truth. It weaves from the Prague Spring through Hungary, Bulgaria and Romania in the late 1970s to East Germany and Poland's Solidarity movement in the 1980s, and then to 1989. Ultimately, he cannot—or at least does not—tell us why the denouement occurred when it did, other than implicitly by the importance he attaches to Gorbachev's arrival. Instead he offers a grand thesis to locate this latest revolution in East Europe's twentieth-century evolution, from the jaws of the "antirationalist" fascist experiment to the "hyper-rationalist" communist experiment to the now belated chance to join the "pluralist" experiment. About this he is optimistic, but within the historian's time frame of decades and longer.

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Middle East

WILLIAM B. QUANDT

Israel's Border Wars, 1949-1956: Arab Infiltration, Israeli Retaliation, and the Countdown to the Suez War. BY BENNY MORRIS. New York: Oxford University Press, 1993, 451 pp. $39.95.

Benny Morris is decidedly not a "post-modernist" historian for whom all readings of history are equally valid. Instead, he is a researcher who pays exquisite attention to evidence and who eagerly questions accepted wisdom when it collides with inconvenient facts. This penchant for revisionism has made him controversial in Israel, where he has combed the archives for answers to what really happened in the early years of Israel's conflict with the Arabs.

The conventional story argues that from the moment of Israel's birth in 1948, Arab hostility was manifested in constant waves of terrorism. In legitimate self-defense, Israel struck back, sometimes dramatically, in a spiral of violence that ended in the Suez campaign. Morris shows that this image is simply not true. Relying almost exclusively on documents from the Israeli archives and Western diplomatic reports, he shows that most of the early "infiltration" by Arabs across the armistice lines was motivated by economic considerations. Farmers were returning to their fields, refugees to their homes, and others for easily understood reasons. Most of these "infiltrators" were unarmed. Nonetheless, Israeli officials adopted a tough position to prevent their return, and during the early 1950s hundreds of Arabs were killed each year, as well as dozens of Israelis.

In one of the most dramatic revelations of his research, Morris explores the evolution of Israeli retaliatory policy, from strikes at civilians to strikes at military targets. The formation of Unit 101 under Ariel Sharon was an expression of the activist school, which believed in the need to avenge Arab attacks. In the notorious attack on the Jordanian village of Qibya in October 1953, Unit 101 was ordered to "carry out destruction and maximum killing," which it did to the extent of some 70 dead, mostly women and children. The attempted cover-up and crisis soon passed, but not before Israeli government policy shifted toward striking at military concentrations instead of civilians in response to border incidents. The most famous of these raids was the attack on Egyptian forces in Gaza in February 1955. From that moment on, Egypt began to seek arms from the Soviets and was soon organizing raids into Israel. All the while, Moshe Dayan and David Ben-Gurion were looking for a pretext to strike at Egypt, and the alliance with France in mid-1956 set the stage for the Suez adventure.

All of this is told with high regard for sources, in a smoothly written narrative that leaves the reader with a sense for how deep the antagonism between Arabs and Israelis really is. Many of his compatriots will criticize Morris for his rendering of history, but no one henceforth will be able to write on this period without reference to this basic study. It is a sad commentary that such a talented scholar is unable to find a teaching and research position in his own country because his views are considered to be too controversial.

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Women and Gender in Islam. BY LEILA AHMED. New Haven: Yale University Press, 1992, 296 pp. $32.50 (paper, $15.00).

Among the volumes now being published about Islam, this book stands out as particularly original, insightful and sensitive. Concentrating on one of the nearly taboo topics of Islam, its treatment of women, the author examines the patrilineal traditions in the Middle East that preceded Islam and discusses objectively the ways in which Islam both improved and curtailed the freedoms of women in its earliest days. Much of the blame for the most constrictive interpretations of Islam is placed on the Abbasid dynasty, which ruled from the mid-eighth century onward and interpreted Islam in a legalistic and rigid manner designed to serve state interests, thereby sacrificing much of the ethical, normative thrust of the religion as practiced in the days of Mohammed. As Islam spread, the author maintains, it incorporated many of the misogynist practices of the surrounding environment. Ahmed's narrative covers the efforts of Muslim feminists earlier this century to assert themselves, and concludes with an impressive assessment of the current cultural malaise in much of the Middle East. The text is at times a bit heavy on "discourse" analysis, but even this nod toward academic fashion is more often enlightening than not. In short, a highly original and important book.

Unsettled States, Disputed Lands: Britain and Ireland, France and Algeria, Israel and the West Bank-Gaza. BY IAN S. LUSTICK. Ithaca: Cornell University Press, 1993, 576 pp. $37.50.

In a major study that moves between path-breaking theorizing and analysis that is relevant to today's headlines, the author examines the process by which states expand and contract. His particular interest, triggered by concern about Israel's relationship to the West Bank and Gaza, is whether annexationists can realize their project of absorbing these Palestinian-inhabited areas, or whether the anti-annexationists will win the political struggle. Rather than facilely expressing an opinion on such a complex question, the author looks to theory and two related cases: Britain and Ireland, and France and Algeria. He develops a useful model of state expansion and contraction, focusing on how the issue of incorporating outlying territories is dealt with in the political arena. Is it an issue that can jeopardize an incumbent's position? Or is it beyond debate? Before disengagement from a territory, internal political battles must be fought and won.

Concerning the Israeli case, Lustick sees the annexationist project as doomed to failure, but acknowledges that the relinquishment of the occupied territories will precipitate a regime crisis. He implies that the bolder the Israeli government is today in facing this issue, the more viable the agreement will be in the future. In short, if Israel settles for partial annexation, it may have a Northern Ireland-type problem on its hands for years.

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While the cost of full "decolonization" on the French-Algerian model may seem high, the chance for a viable Israeli-Palestinian agreement will be enhanced. In either event, however, the internal Israeli political debate will determine the outcome. While written before the recent Israeli-PLO agreement, this book has been made more, not less, timely by events that could only be guessed at when the author was writing this stimulating, often difficult but ultimately very rewarding study.

Americans and the Palestinian Question: The U.S. Public Debate on Palestinian Nationhood, 1973-1988. BY MARIANNE VAN LEEUWEN. Atlanta: Editions Rodopi B.V., 1993, 545 pp. $97.00 (paper).

A Dutch researcher has produced a study that is of particular importance now that Israel and the PLO are negotiating the terms of a peace settlement. Concentrating on the period from the October war up until the Palestinian *intifada*, the author surveys practically everything that has been written or said about the Palestinian question. As a result, this is more of a resource book than a coherent political narrative, but as such it has the virtues of comprehensiveness and precision. If you wonder what any of your favorite pundits used to say about the Palestinians, turn to the index and you will be sure to find multiple references. A useful study.

Islam and the West. BY BERNARD LEWIS. New York: Oxford University Press, 1993, 217 pp. $25.00.

With this collection of previously published essays, the author pulls together his thoughts on the relations between Islam and the West. Included here are his response to critics of "Orientalism" and a number of essays that touch on the current Islamic revival. Lewis stands out among scholars as one who has long maintained that nationalism in the Middle East might one day give way to populist Islam. In these essays he tells why. Whether one agrees with the conclusions or not, the author displays formidable erudition and writes with elegance.

The Middle East after Iraq's Invasion of Kuwait. EDITED BY ROBERT O. FREEDMAN. Gainesville: University Press of florida, 1993, 374 pp. $49.95 (paper, $19.95).

After each major event in the Middle East, Robert Freedman convenes a conference at Baltimore Hebrew University to assess its implications. This most recent conference volume lives up to the high quality of its predecessors. The individual chapters are written by well-known authors who make a serious attempt to assess the importance of the Persian Gulf War. Most of the authors content themselves with surveying recent development, refraining from sweeping predictions about the future. This is just as well. No one could have foreseen the developments of the past year, but at least we have a useful collection of how things looked as of early 1992—and we have a reminder of how quickly things can change, even in the Middle East.

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Riding the Tiger: The Middle East Challenge After the Cold War. EDITED BY PHEBE MARR AND WILLIAM LEWIS. Boulder: Westview Press, 1993, 253 pp. $55.00 (paper, $16.95).

An early and generally successful effort to assess the impact of the end of the Cold War and the defeat of Saddam Hussein, these essays cover the traditional agenda of the Arab-Israeli conflict, the arms race, Russian policy, the Persian Gulf and oil, as well as the new agenda of water, Islamic movements and ethnic conflict.

The Politics of Miscalculation in the Middle East. BY RICHARD B. PARKER. Bloomington: Indiana University Press, 1993, 273 pp. $45.00 (paper, $17.95).

A former diplomat with a wealth of experience in the Middle East has set out to explain why governments so often seem to miscalculate. He has picked three episodes for detailed study: the Six Day War of June 1967, the Egyptian-Israeli war of attrition in 1969-70, and the Israeli-Lebanese negotiations of 1982-83. The best of these fine case studies is on the 1967 crisis, where Parker surveys Egyptian, Israeli, American and Russian sources to find answers to many of the remaining mysteries surrounding the conflict. That he is unable to close the files on some conundrums—such as why the Soviets misleadingly warned Egypt in mid-May 1967 of a large-scale mobilization of Israeli forces—demonstrates no lack of investigative zeal, but the problem of sources. Sometimes the reader wishes that Parker would at least give his best guess after wrestling with the questions he raises, but the author is careful not to go much beyond what the evidence can prove. Serious analysts of the Middle East will not want to miss this fine piece of research.

Saudi Arabia: Government, Society and the Gulf Crisis. BY MORDECHAI ABIR. New York: Routledge, 1993, 269 pp. $49.95.

Partly a revision of an earlier book on Saudi Arabia and partly a new analysis of the impact of the gulf crisis on the kingdom, this well-crafted history is relatively sanguine about the regime's future. The author sees a slow process of reform taking place, weakening many traditional elements of the society while strengthening the hand of the royal family and setting in motion something of a fundamentalist backlash. Given the closed nature of Saudi society and the paucity of reliable sources, no one can be too sure how the regime really functions, but oil revenues certainly help. As an Israeli citizen, the author has not been able to visit the kingdom, but he has made effective use of available sources, including the little-known doctoral theses of Saudi students in the United States. On the whole, a welcome and up-to-date study.

State, Power & Politics in the Making of the Modern Middle East. BY ROGER OWEN. New York: Routledge, 1992, 302 pp. $55.00 (paper, $18.95).

One commonly held image of the Middle East is that it is a region in turmoil where only fools would dare to predict

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the future. Roger Owen is no fool, and he does not predict the future, but he does take issue with the notion that the Middle East moves in response to unknown and irrational forces. In his carefully constructed picture of the post-World War I order that has emerged, the state system, despite its seeming artificiality, has taken root; regimes have mastered the art of staying in power, and civilian control of the military has become the norm. In short, state interests have won out over broader ideological temptations such as pan-Arabism. Owen's method is to look at developments in historical perspective and across a wide array of cases. This does not always make for smooth narrative, but it does result in comprehensiveness and a challenge to facile generalizations. In sum, this is a solid introduction that carefully weighs evidence and reaches sensible conclusions.

Oil Monarchies: Domestic and Security Challenges in the Arab Gulf States. BY F. GREGORY GAUSE III. New York: Council on Foreign Relations Press, 1994, 217 pp. $16.95.

Ever since the dust settled after Desert Storm, an assessment of how the oil monarchies of the Arabian Peninsula are faring has been needed. This clear and concise account is the best analysis to date. The author challenges the conventional view of unchanging traditional political systems rooted in tribalism and religion. Oil wealth has brought great change to each of these states, but not quite in the way that some theorists of "rentier states" assumed. The welfare state that makes few demands on its citizens has not produced passivity and consent, particularly when oil revenues are in decline. Demands for political participation have grown, and regimes have been obliged to respond, at least with token gestures. The major challenges facing the regimes will be managing the oil revenues, gradually opening up political life to more people and creating institutions. Succession problems are everywhere foreseeable. Nonetheless, the overall prognosis is fairly upbeat, with no major upheavals in store. Some sound, if general, guidelines for American policy conclude this useful study.

Whither Israel? The Domestic Challenges. EDITED BY KEITH KYLE AND JOEL PETERS. New York: I. B. Tauris, 1993, 292 pp.

An excellent collection of original essays on the problems confronting Israeli society. The change of government in mid-1992 is just barely taken into account, and current issues such as the fate of Israeli settlers in the occupied territories are largely ignored, but the book remains timely nonetheless. The one essay on the Israeli right does, however, conclude that it cannot prevent the implementation of a peace agreement with the Palestinians, however hard it may try.

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Asia and the Pacific

DONALD ZAGORIA

Deng Xiaoping: And the Making of Modern China. BY RICHARD EVANS. New York: Viking, 1994, 327 pp. $27.95.

Despite the scarcity of reliable information about China's supreme leader, the enormous difficulty of gaining access to key documents, and the problems of dealing with a country in which history is still viewed as a political weapon, this biography of Deng Xiaoping will be a reliable and valued guide for years to come. Written by the former British ambassador to China, Sir Richard Evans, a sinologist in his own right, the volume is superbly researched, quite readable and extremely judicious in its assessments.

Not the least of the author's accomplishments is to place the rise of Deng within the context of the tumultuous history of twentieth-century China—the Japanese invasion, the rise of communism, the Long March, the Great Leap Forward, the innumerable struggles for power within the Chinese Communist Party, the Cultural Revolution and Tiananmen Square.

Evans says that Deng's greatest achievements were to put China on a path of rapid economic development and to bring it into the mainstream of international life. He sees three secrets of success in China's drive to development that distinguish it from the failures of the former Soviet Union. first, China began by reforming agriculture rather than commerce or industry. This made food and raw materials for light industry plentiful and thereby created conditions conducive to change in the cities. Second, China avoided hyperinflation and a rapid decline in living standards by removing price controls gradually, so that the consumer was not turned into an enemy of reform. Third, economic reforms preceded political reform, which improves the chances that a more open political order will survive once it does come about. According to Evans, democracy does best when it grows slowly in a developing country and reaches maturity only when that country has achieved high levels of prosperity and education.

The Political Logic of Economic Reform in China. BY SUSAN L. SHIRK. Berkeley: University of California Press, 1993, 399 pp. $48.00 (paper, $15.00).

A political scientist seeks to explain Deng Xiaoping's success and Mikhail Gorbachev's failure in reforming a communist economy by focusing on the political institutions that blocked reform in the U.S.S.R. and facilitated it in China. The key to effective reform, says the author, is that reformist leaders need to develop an effective pro-reform coalition and render ineffective the groups that will lose as a result of the reforms.

Gorbachev tried to develop a reform coalition by opening up the political arena to real competition and thereby developing a counterweight to the anti-reform communist party apparatus. But this was a highly risky strategy that eventually led to the collapse of the Soviet communist party.

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Deng, on the other hand, chose to retain the traditional communist party state but to use provincial officials as a political counterweight to the conservative center without changing the basic rules of the game. This strategy was facilitated by the fact that the Chinese communist political system, although structurally similar to the Soviet one, was more decentralized because of Mao Zedong's previous, deliberate efforts at decentralization.

This is a very suggestive analysis with important implications for the future. It suggests that power in China may increasingly be shifting to the provinces. The author is not sanguine about the future of communism in China. In the Soviet Union and Eastern Europe, she writes, communism was toppled from the top down by a political elite hoping to remove the political obstacles to economic reform. In China, communism may be undone by a "real revolution" unleashed by the success of economic reform.

The Rise of China: How Economic Reform Is Creating a New Superpower. BY WILLIAM H. OVERHOLT. New York: W. W. Norton & Company, 1993, 399 pp. $23.00.

The great strength of this incisive and provocative analysis of the Chinese reform process is its comparative framework. Overholt argues that there is a Pacific-Asian brand of economic takeoff and that Deng Xiaoping's China is following that well-trodden path. He argues that the Pacific-Asian model of development has succeeded in South Korea, Taiwan and Southeast Asia, and is likely to in China. His optimism, he says, is based on the fact that economic progress increasingly creates interest groups with a stake in extending reform and that knowledge of success elsewhere guides them on the road to further achievement.

The author does warn that success is not inevitable and reforms may get bogged down. Unfortunately, he does not devote sufficient effort to spelling out the more pessimistic scenarios. As a result, the book has been criticized for being one-sided and too rosy.

While there is some justification for this criticism, the volume remains a tour de force of comparative analysis made possible by the author's intimate knowledge of both China's development experience and the experience of other Asian-Pacific countries. He also has an unusual gift for generalization.

Sea Change: Pacific Asia as the New World Industrial Center. BY JAMES C. ABEGGLEN. New York: The Free Press, 1993, 277 pp. $24.95.

This volume is a sensible and fact-filled guide to the opportunities and risks for corporate America in doing business in East Asia. There are detailed studies of particular countries and groups such as overseas Chinese business networks. A thread running through the volume is the critical importance of having a corporate presence in Japan. According to the author, companies that have done well in Japan also do well in the rest of Asia. Conversely, companies such as General Motors, which have missed opportunities in Japan, have little market position in the rest of Asia.

In what may be the most useful chapter, Abegglen shows how some U.S.

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companies, such as IBM, Apple, AT&T and Texas Instruments, have built world-scale factories in Asia, engaged local governments in shared development and made the region a center for corporate decision-making. The U.S. automotive industry, however, has missed the Asian boat and forfeited the enormous East Asian auto market to Japan.

Japan's New Global Role. BY EDWARD J. LINCOLN. Washington: The Brookings Institution, 1993, 312 pp. $28.95.

During the past decade, Japan has been at the center of global trade tensions because of its huge and sustained trade and current account surpluses, which make it the world's largest creditor nation. Despite foreign, especially U.S., pressures to reduce its surpluses and articulate a new global role for Japan, the Japanese government has yet to rise to the challenge.

In this timely volume, one of America's foremost students of Japan's economy argues that overcoming the strong insularity and passivism of the years since 1945 will not be easy. He proposes specific policies that would lead Japan to become more open economically and more firmly enmeshed in international organizations and to contribute more to humanitarian ventures around the globe. He says that the 1993 elections and the new coalition government increase the possibility of domestic change in this direction and provide the United States with greater opportunity to engage Japan in a productive dialogue.

In a particularly important chapter on Japan's focus on the Asia-Pacific region, Lincoln shows how the rough equality in the economic presence of Japan and the United States that existed for several decades is now being transformed into what he calls a "soft" economic regionalism centered on Japan. In Asia, says Lincoln, despite some continuing diplomatic deference to the United States, Japan is increasingly becoming more independent and pursuing its own agenda. Unfortunately, the author does not develop this point sufficiently. But the potential for future tension between the United States and Japan over Asia-Pacific policy is made clear.

Africa

GAIL GERHART

An African-American in South Africa: The Travel Notes of Ralph J. Bunche, 28 September 1937–1 January 1938. EDITED BY ROBERT J. EDGAR. Athens: Ohio University Press, 1992, 398 pp. $40.00.

As a young professor at Howard University, Ralph Bunche won a travel grant that took him around the world and, for an eventful three months in 1937, enabled him to become a participant and observer of life in unremittingly racist South Africa. His travel notes, splendidly edited, annotated and introduced by Howard historian Robert Edgar, contain a rich lode of information on the attitudes, opinions and foibles of prominent black South Africans and their white allies of the time. Also

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revealing are the candid glimpses into Bunche's own radical disposition prior to the start of his distinguished career in government service, during which he seldom committed critical inner thoughts to paper. Readers concerned with American-South African relations today will find interesting the glamorized image of American Negroes that Bunche encountered and the comparisons he drew between race relations in South Africa and the United States. A travel book guaranteed to take you off the beaten track.

Development Strategy and the Economy of Sierra Leone. BY JOHN WEEKS. New York: St. Martin's Press, 1992, 191 pp. $59.95.

This angry book argues that the World Bank and the IMF misdiagnosed the development problems of Sierra Leone, imposed ideologically motivated and misdirected policy prescriptions, then blamed the victims for the poor results instead of admitting their own share of responsibility. Unlike some polemics against lender-imposed structural adjustment programs in Africa, this one is by a competent economist, and it takes a close-up look at evidence drawn from one country over an extended period. Among the author's findings: factors in the world economy external to Sierra Leone are the principal source of the country's decline, not domestic mismanagement; Sierra Leone's post-independence economy did not have an urban bias; its currency was not particularly overvalued, nor was its agricultural pricing particularly wrong. Nor is it true that no better alternatives existed to the failed policies prescribed for the country by the multilateral lenders.

The Ethiopian Revolution, 1974-1987. BY ANDARGACHEW TIRUNEH. Cambridge: Cambridge University Press, 1993, 435 pp. $69.95.

This outstanding book is the most authoritative account to date of Ethiopia's epic transformation from the feudal monarchy of Haile Selassie to the Stalinist dictatorship of Mengistu Haile-Mariam. Tiruneh, who teaches law at the University of Addis Ababa, analyzes the decay of the ancien régime and the complicated evolution of Mengistu's government within the context of the country's volatile foreign relations, its failed experiments with pan-Ethiopian nationalism and Marxist-Leninist ideology, and its largely frustrated attempts to replace an unjust and unproductive economic system with something better. A stimulating concluding chapter holds Ethiopia up to the yardstick of contemporary social science theories of revolution, and a postscript recounts the events leading to the collapse of the Mengistu regime in early 1991. Situating the Ethiopian case amid current speculations about the evolving new world order, the book offers a feast of food for thought on geopolitics, the pitfalls of political and economic centralization and liberalization, the influence of culture in history and the crumbling model of the multiethnic state.

Seeking Peace from Chaos: Humanitarian Intervention in Somalia. BY SAMUEL M. MAKINDA. Boulder: Lynne Rienner Publishers/New York: International Peace Academy, 1993, 92 pp. $8.95 (paper).

Likening the current crisis in Somalia to Thomas Hobbes' war of all against all,

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this dispassionate overview gives a capsule description of politics and international relations during Maj. Gen. Mohamed Siad Barre's rule (1969-1991) and the various phases of American and U.N. intervention aimed at restoring order post-Barre. Although acknowledging the manipulative approach of the superpowers during the Cold War, which left Somalia poor but awash with weapons, the author, a Kenyan academic, attributes the country's problems mainly to the fissiparous character of Somali social and political organization. He argues that the task of the United Nations, as it defines its role in Somalia and in the post-Cold War world, is to discover how to apply the correct amount of force to ensure peace without provoking a backlash among those being protected.

Divide and Rule: State-Sponsored Ethnic Violence in Kenya. BY AFRICA WATCH. New York: Human Rights Watch, 1993, 59 pp.

There is overwhelming evidence that the government of Daniel arap Moi has organized and encouraged a campaign of ethnic cleansing in large areas of western Kenya in order to reward political supporters and weaken groups that have rallied to opposition parties. This report predicts an intensifying atmosphere of ethnic hostility in Kenya and a possible descent into civil war.

Infibulation: Female Mutilation in Islamic Northeastern Africa. BY ESTHER K. HICKS. New Brunswick: Transaction Publishers, 1993, 298 pp. $34.95.

Painstaking research and documentation support the conclusions of this unusual book. The author has made a comprehensive investigation into the practice of infibulation, the most extreme form of female circumcision, as it occurs in what she calls the "closed cultural systems" of northeastern Africa. A pre-Islamic practice dating at least to the time of the pharaohs, its persistence is attributed primarily to the male dominance sustained by Islam in both pastoral and sedentary populations. The study argues that although men play no role in the operation, the practice remains a means of male control over the sexual and reproductive capacities of women. Significantly, the author avoids value judgments about those who maintain the practice and asserts that it is unhelpful and even counterproductive to call for an end to infibulation without acknowledging how integral it is to the culture of many societies. This work presents an interesting challenge to feminist assumptions and to Western conceptions of human rights.

CAROLINE HOOPER-BOX

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Letters to the Editor

INACTION ALSO COSTS CREDIBILITY

To the Editor:

Paul D. Wolfowitz ("Clinton's First Year," January/February 1994) rejects military intervention in Bosnia, even if it were limited to air power, for the following reason: "If bombing is intended to produce results rather than merely to punish, and if it fails to produce these results, the United States is then left with the unpalatable choice of a prolonged campaign with no certain outcome, or disengagement and a loss of credibility." This argument would be convincing if the failure to intervene had no consequences and did not also entail a loss of credibility.

But Wolfowitz does not answer whether the significant loss of credibility that the United States and NATO have suffered due to their inaction is any more damaging than would be a failed, limited military intervention. It is arguable that U.S. vacillation and loss of nerve in Bosnia have considerably boosted North Korea's determination to refuse to submit to international nuclear inspections. It is also reasonable to expect that the warring parties in future ethnic conflicts in Central Europe and the former Soviet Union will be deeply influenced by this demonstrated U.S. and NATO ineptitude.

Many respected military officials, including senior American officials in NATO, believe that limited military intervention, if joined with a removal of the arms embargo on the Bosnian Muslims, stands a good chance of succeeding. The effects of such a success for U.S. credibility cannot be exaggerated and must be weighed not only against the consequences of possible failure but also against the current hemorrhaging of U.S. credibility.

HENRY SIEGMAN

Executive Director, American Jewish Congress

OWNER RIGHTS, BY ALL MEANS

To the Editor:

Discussing the incorporation of labor standards into trade agreements is difficult when opponents of the idea apply the charge of protectionism to cut off discussion (Benn Steil, "'Social Correctness' Is the New Protectionism," January/February 1994). Oddly, initiatives designed to protect the rights of property owners, as opposed to the rights of workers, seem to escape this kind of labeling.

Take the unauthorized copying in Mexico of computer software, books and recorded music. This copying cost American intellectual property owners about $293 million in lost sales in 1992, according to Bill Gates, CEO of

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Microsoft, who urged Congress to pass NAFTA because it contains provisions to protect intellectual property.

Congress listened to his pleas. Nobody criticized the new rules as protectionism; nobody asked Gates and his business colleagues why they were afraid to compete in the free market. Yet by massively reproducing these materials, freewheeling entrepreneurs are stimulating business and delivering goods to millions of consumers at lower costs—activities usually hailed as benefits of unrestricted trade.

The trouble is, such freewheeling violates the rights of property owners. So the U.S. government is taking vigorous action. In Mexico, China, Thailand and Indonesia, the United States is using bilateral and multilateral muscle, including trade sanctions, to protect the rights not only of American property owners, but of Japanese, German and others as well.

Yet when somebody proposes similar rules on behalf of the interests of ordinary working men and women, most economists and policymakers recoil in horror. Eliminate child labor as a commodity in the international marketplace? Set down minimal rules on safety so that women workers do not get burned to death in the firetrap factories of China and Thailand? Require worker and farmer adjustment policies for Mexican peasants who are being squeezed off the land in places like Chiapas? These measures are absolutely verboten.

Like Benn Steil, I oppose attempts to "quash free discourse." Unlike him, I also oppose the careless use of "protectionism" to stifle discussion about the crushing new angst facing ordinary people in a world economy that discriminates in favor of shareholders and mobile global capital.

MARCY KAPTUR
Member of Congress, D-Ohio

To the Editor:

The abyss that yawns between Benn Steil and the real world approximates the distance between Earth and Arcturus. Steil's gravest inadequacies appear to stem from that singular inability of utopian free traders to comprehend the fact that life, alas, is political. Far from corresponding to the neat mathematical models of elementary economics, political economy—as both Adam Smith and Karl Marx recognized—is complex. In this context, those who attempt to fashion methods of protecting their people's standard of living are certainly not more despicable than those tyrants who repress and impoverish their people in pursuit of corporate profits and their own personal wealth, Mr. Steil's mushy valuations aside.

JAMES A. YOUNG
President, Harrisburg Region Central Labor Council, AFL-CIO

PLAYING MADISON IN RUSSIA

To the Editor:

Dimitri Simes stresses that, with respect to Russia, Washington should be interested above all "in seeing that there are meaningful checks and balances [since Washington] has a vested interest in seeing Russian governments rely more on democratic legitimacy than on the support of the military and security services" ("The Return of Russian His-

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tory," January/February 1994). But in emphasizing political stability and checks and balances as guarantees of a democratic future, Simes has overstressed political factors at the expense of economic determinants.

In Russia, the way in which economic travail—Mr. Simes himself cites the stunning 37 percent Russian poverty rate—impinges on politics is striking. Whether one believes Vladimir Zhirinovsky's victory in the December elections reflected a protest vote or sympathy for his views among a large part of the electorate, any observer must note the mordant effect the dismal economic picture has on the political attitudes of the Russian populace.

Until they actually sense economic improvement in their lives, the Russian people will not overcome their historically conditioned apathy and disenchantment—more than two generations old—for any powers-that-be in Moscow. The role of America, an economic powerhouse, is logically economic. Washington should not try to play James Madison to Russia's embryonic constitutionalism. Rather, it should devise radical measures to help provide a decent standard of living for Russia's restive, disillusioned people.

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IS JORDAN DOOMED? MAYBE NOT

To the Editor:

Rita Hauser's letter ("Is Jordan Doomed? Yes," January/February 1994) misstates the argument of my article ("Is Jordan Doomed?" November/December 1993). Hauser says I argued that a Palestinian-Jordanian confederation will come about, with the Palestinian component the stronger, but that I reach the "sanguine conclusion that somehow or another the Jordanian state will remain intact." Hauser contends that "the likely prospect following confederation is a democratic, mainly secular government in which the Hashemite crown would reign rather than rule."

I actually argued that the Hashemites have created enough vested interests in the survival of the state to assure Jordan's place in any new regional order. The foundations of the state are intact, whether or not confederation eventually comes about. Many native Jordanians, who control the civil and security services, fear becoming a minority in their own land and oppose confederation. To confederate with a Palestinian entity is not in King Hussein's interest if he alienates the Jordanians on whom he depends to run his country. His decisions in the upcoming months will determine the nature of the Jordanian state in the 21st century.

Recent events indicate—contrary to Hauser's view—that a Palestinian-dominated confederation is not a foregone conclusion. In January 1994, Hussein announced that he told PLO Chairman Yasser Arafat "to drop the word 'confederation' from his vocabulary." Jordan also pressured the PLO to accept a financial agreement that would give Jordanian banks control over economic aid flowing into the Palestinian entity. Thus Hussein, not Arafat, holds the cards. Conceivably, a new Jordanian option could emerge, whereby a stable Jordanian state establishes strong economic ties but weak

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political links with a Palestinian state.

The November 1993 Jordanian parliamentary elections suggest that Hauser's vision of a democratic, secular confederation is unrealistic. Despite predictions by some that the elections would be a referendum on the peace process, Jordanian tribal politics overshadowed Palestinian issues. While it is often asserted that the Palestinians comprise over 60 percent of Jordan's population, in November they accounted for only 30 percent of those who voted. Furthermore, Palestinian candidates won only about 15 seats in Jordan's 80-seat lower house. Finally, most Palestinians who won ran as Islamists, not as secularists. The powerful Muslim Brotherhood, not Yasser Arafat's Fatah faction, is capturing the hearts and minds of Jordan's Palestinian refugee community.

In the occupied territories the PLO is rapidly losing ground to Hamas, which describes itself as "the military wing of the Muslim Brotherhood in Palestine." The Brotherhood has always favored the unity of the West and East Banks and rejects Arafat's "capitulation" to Israel. Moreover, the Brotherhood accepts the legitimacy of the Hashemite monarchy, opposing the secular slant of the mainstream Palestinian liberation groups.

Hauser's suggestion that "Jordanian nationalism is strongly tied to the person of King Hussein" and will fade with his demise reveals a misunderstanding of Jordanian history. King Hussein has dominated Jordanian politics since 1953, but Jordan was created in 1921, and an independent Jordanian nationalism had its roots in a series of five national congresses held between 1928 and 1933. These early nationalists opposed solving the Palestinian question at Jordan's expense. They rejected settlement of Jews on the East Bank and were against allowing Jordan to become a substitute homeland for the Palestinians, who would rely on the Hashemites to guard their interests.

As a sense of Jordanian nationalism existed before Hussein's reign, so it will remain after his passing. Crown Prince Hassan is popular among Jordanians, who view him as a leader who will protect Jordanian interests when he comes to power. Further, many native Jordanians feel that, as long as they continue to dominate the army and intelligence services, Jordan will not become a Palestinian state.

Hauser's utopian prescription for the future is potentially destabilizing to Israel and American interests in the Middle East. Decision-makers cannot base their policies on liberal sentiments without taking into account political realities. When the crunch comes, Israel and the United States are likely to bank on the man who can deliver the goods—King Hussein—rather than Yasser Arafat, a man who is losing the support of his own people.

LAWRENCE TAL

THE RECORD ON MITI

To the Editor:

Whatever else one may think of Peter F. Drucker's recent article, "Trade Lessons from the World Economy"(January/February 1994), his discussion of Japanese industrial policy contains at least one major factual inaccuracy. In attempting to demonstrate that Japan's Ministry of International Trade and

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Industry failed to promote the development of Japanese industry effectively, Drucker asserts, "The Japanese businesses that succeeded, like Sony and the automobile companies, were opposed or ignored by MITI."

Although MITI did not always support Sony and every Japanese automaker, the instances of such support are numerous and significant. With respect to Sony, for example, as early as the 1950s MITI actively protected the domestic market against both imports and direct investment from American and other foreign competitors. Among other effects, this protection forced a number of major U.S. multinationals to license critical technologies to Sony and other Japanese electronics firms because these American companies simply had no other viable alternative for participating in the Japanese market. The impediments MITI erected against Ford, General Motors and Chrysler, together with direct assistance to key firms in the local automobile industry, are also well established in the historical record.

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